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Today's
Special Report
PRIVATE
BANKING
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The World's Daily Newspaper

**

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No. 35.044

Two Visions Of Quebec Compete at Polls Today

*Voters Called to Weigh
The Economic Price
Of Independence*

By Anne Swardson
Washington Post Service

TORONTO — It is a proud, prosperous nation, the eighth-largest trading partner of the United States and the 20th-largest economy in the world. Its population of 7 million is larger than that of one-half the 185 members of the United Nations.

As a successful exporter of autos, electric power, railcars, telephone equipment, high-tech services, it fully meets its obligations in international financial markets. It banks in an economic partnership with Canada, whose currency and passports it freely uses.

That is the vision of an independent Quebec painted by its promoters.

Those who oppose Quebec's separation from the rest of Canada see it very differently:

A shadow of its former economic self, this nation lies in deep depression. Interest rates are punitively high and international investors won't lend it money. The flight of Canadian dollars following a "yes" vote to separate forces it to adopt its own currency, whose value falls steadily on foreign exchange markets. The low exchange rate means citizens cannot afford to buy imported goods; exports are devastated because of high tariffs imposed by other nations and by Canada. Banks have closed, businesses have moved or shut down, and English speakers have fled to Canada.

When Quebec voters go to the polls Monday to vote on independence, they will, in effect, make their choice based on the version of Quebec they expect to follow.

The world has never seen anything quite like this, the possible division of a Western, highly developed economy, and even those who understand the complex workings of

See QUEBEC, Page 8



**Islamic Jihad
Vows to Hit
'Zionists'
After Slaying
Worldwide Campaign
Of Vengeance Pledged
For Death of Leader**

By Joel Greenberg
New York Times Service

GAZA — The radical group Islamic Jihad vowed Sunday that it would retaliate against Israel to avenge the assassination of the group's leader, who was gunned down last Thursday in Malta.

In a leaflet distributed here Sunday, the group confirmed the death of Fathi Shiqaqi, accused Israel of the slaying and vowed to unleash new suicide attacks like the bombings that have killed dozens of Israelis in the last two years.

...This despicable crime will make every Zionist wherever he may be on the face of the earth a target for our amazing blows and our bodies exploding in anger," the leaflet said. "We shall take revenge and set the ground on fire under the feet of the Zionist criminals."

The language of the statement suggested that Israeli offices abroad may also be at risk, and security measures have reportedly been stepped up there as well as at home.

Although Israel has not acknowledged responsibility for the slaying, it is widely believed here to have been the work of the Israeli overseas intelligence service, known as the Mossad.

Israeli leaders have done little to dispel that impression.

After news of Mr. Shiqaqi's death emerged Saturday, Prime Minister Yitzhak Rabin said that he "would not feel sorry" about the killing of a man whose existence could not be tolerated by civilized societies.

Foreign Minister Shimon Peres said Sunday that he had no knowledge of Israeli involvement in the attack, but added, "Someone who deals in murder runs the risk of being murdered himself."

Assassins thought to have been sent by Israel killed Palestinian leaders in several countries during decades of violent conflict with the Palestine Liberation Organization. Most prominent among them was Yasser Arafat's military deputy, Khalil Wazir, known as Abu Jihad, who was gunned down in Tunis in 1988.

In what is believed to be the most recent such incident, an Islamic Jihad leader, Hani Abed, was killed last year when his car blew up in Gaza. In a retaliatory suicide attack, three Israeli soldiers were killed.

Substantially smaller and lacking the network of social services offered by its militant twin, Hamas, Islamic Jihad was molded by Mr. Shiqaqi into a group dedicated to armed conflict with Israel.

Among the suicide attacks it has carried out in tandem with Hamas were the bombing of a bus terminal near the Israeli town of Netanya that killed 21 soldiers last January, and the bombing of a bus in the Gaza Strip that killed seven soldiers and an American college student last April.

As Dr. Shiqaqi's family received condolences in the town of Rafah at the southern tip of the Gaza Strip, supporters of Islamic Jihad hung a boldly colored poster showing an Israeli bus exploding. Calls for "jihad," or holy war, boomed over loudspeakers, and posters showed Mr. Shiqaqi's picture over a crossed rifle and knife.

At the Islamic University in Gaza, hundreds of students shouted calls for revenge and burned flags of Israel and the United States. "Down with the olive branch, take up arms!" they chanted.

Otherwise, there was little broad public response to the killing beyond the demonstrations by Mr. Shiqaqi's followers, which in the West Bank town of Hebron took the form of stone-throwing clashes with soldiers.

AGENDA
**Pretoria to Try
11 Top Officers**

PRETORIA (AP) — Safety and Security Minister Sydney Mufamadi confirmed late Sunday that former Defense Minister Magnus Malan and 10 apartheid-era military officers, including four generals, are to be charged with murder.

Mr. Mufamadi told a press conference here that the charges will be linked to a massacre in KwaMakuhla black township, south of the KwaZulu-Natal port of Durban, in January 1987, in which 13 people, seven of them children, were killed by unknown gunmen.

The men will formally be charged at the Durban Regional Court on Thursday, Mr. Mufamadi said.

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U.S. Has New Evidence of Serb Crimes in Bosnia

By Michael Dobbs
and K. Jeffrey Smith
Washington Post Service

WASHINGTON — The U.S. government has supplied international war crimes investigators with reconnaissance photos and other intelligence evidence of "approximately half a dozen" mass grave sites, in addition to those it has previously disclosed, where Bosnian Serbian forces buried thousands of Muslims massacred last July.

U.S. authorities said Saturday that the new evidence supported the accounts of Bosnian Muslims and officials of human rights groups, who have described large-scale atrocities by the Serbs after they captured the United Nations "safe area" of Srebrenica in eastern Bosnia on July 11.

The United States was first alerted to the possibility of mass killings in the area a day or two after Srebrenica fell, in a telephone call from the Bosnian foreign minister, Mohamed Sacirbey, to the U.S. ambassador to the United Nations, Madeleine K. Albright, according to a Washington Post reconstruction of the U.S. government's response to one of the worst atrocities committed in Europe since World War II.

Although the Clinton administration was quick to denounce reports of "brutal" and "inhumane" behavior by the Bosnian Serbs, it did not make public any detailed evidence of the atrocities until nearly four weeks later. Mrs. Albright went before the UN Security Council in a private session on

Aug. 10 to present spy photographs of suspected mass graves and to accuse the Bosnian Serbs of executing many Muslim refugees.

Officials blamed the delay in presenting intelligence evidence on the difficulties of sifting through a vast pile of reconnaissance photos to find corroborating evidence of atrocities. Since then, officials said, the administration has been hesitant to

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Powell Leans Toward a Republican Bid

By Jack Nelson
Los Angeles Times

WASHINGTON — Friends and confidants of Colin Powell say they now believe he is likely to seek the Republican presidential nomination, noting that he has been consulting with an unusually wide range of political figures and painstakingly studying a possible campaign.

And the fact that Senator Bob Dole, the Republican front-runner, is dropping in current polls adds to the likelihood of a Powell candidacy, they say.

Mr. Powell apparently has not disclosed his intentions even to his closest associates.

But as one Republican political operative, Bob Teeter, a Powell admirer, said in an interview, "There are a lot of signs he's leaning toward running, and he would be a huge bear of a candidate."

The question, Mr. Teeter added, "is whether he can win the Republican nomination. And the answer is he can. That's not saying he would win it, but he would be a formidable candidate. And if he got nominated, he would be elected."

Other prominent Republicans who have conferred with Mr. Powell — including Martin Fitzwater, a longtime Powell friend and former White House press secretary for Ronald Reagan and George Bush, and

William Kristol, who was Vice President Dan Quayle's chief of staff — also see a Powell candidacy as increasingly likely.

Mr. Powell "has been exploring it thoroughly and systematically, and I'm not sure he's made up his mind, but I don't see him finding anything to deter him from running," Mr. Kristol said.

Mr. Fitzwater agreed. Mr. Powell is likely to enter the race, he said, "now that he's heard the call from the masses on his book tour and knows that this is his moment in history."

For his part, Mr. Powell has kept his own

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300 Die in Blaze on Azerbaijan Subway Train

Compiled by Our Staff From Dispatches

BAKU, Azerbaijan — Rescue workers recovered about 300 bodies Sunday from the wreckage of a subway train that caught fire in a tunnel, trapping hundreds of passengers in a vortex of flames and choking gas. At least 200 other passengers were injured. Most of the dead, unable to escape from the packed train, died from carbon monoxide poisoning as toxic materials in the car burned, officials said.

The former Soviet republic declared two days of mourning for the dead. Officials said the Baku subway's "outdated" Soviet equipment was to blame for the fire, which began when the train's electric system malfunctioned.

Firemen who battled the fumes to bring bodies to the surface told the independent Azerbaijani news agency Turan that they feared the death toll might reach 600.

Witnesses said panic broke out when the train came to a halt in a tunnel between the Ulduz and Narimanov underground stations in central Baku in the rush hour early Saturday evening and smoke began to pour into the cars.

"I heard a loud noise and the train stopped," one witness, Azer Izulaev, told

Turan.

"There was smoke and people started suffocating. They began breaking windows and there was a great panic."

Other witnesses said some people had died as they tried to escape through the smoke-filled tunnel at the risk of being electrocuted on the live rail.

"There was thick smoke everywhere — I could hardly see anything," said a man who scrambled to safety along the tunnel's side.

(AP, AFP)

Japan Slowly Admits Its AIDS Mistakes

By Andrew Pollack
New York Times Service

suits against the government are rarely successful, he argued, urging his teenage son instead to enjoy the precious remaining years of his life.

But the young man, with the support of his mother, joined other infected people in a lawsuit two years ago, a decision so wrenching it led to the divorce of his parents.

Now, the decision appears to have been right. Earlier this month, courts in Osaka and Tokyo said the government and five drug companies bore responsibility for the fact that Kawada, now 19, and other Japanese hemophiliacs were infected with HIV through the use of contaminated blood-clotting products.

To many people, the case has highlighted the paternalism of Japan's medical system, in which patients receive little explanation of the treatment they are receiving.

Some hemophiliacs argue that it also shows how slowly Japan's bureaucracy can react to a problem and how reluctant it is to acknowledge responsibility for mistakes.

They compare it to the case of the Minamata Bay mercury poisoning, which is only now being settled some 40 years after the first people became severely crippled.

The courts proposed that the government and companies pay 45 million yen (\$450,000) to each of the 219 plaintiffs. Negotiations among the parties to forge a definitive settlement are due to begin soon.

The lawsuits claim that the Ministry of Health and Welfare, ignoring many warning signs, did not approve the use of blood-clotting agents treated with heat to kill viruses until July 1985, more than two years after they were approved in the United States. Heat-treated products were approved in 1981 in West Germany, in 1984 in France and early 1985 in Britain, all ahead of Japan, said Sayuri Kano, a lawyer for the hemophiliacs.

Some 1,800 people, about 40 percent of the hemophiliacs in Japan, developed AIDS or were infected with the virus that causes it.

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HERO OF SERIES — David Justice sliding safely past Carlos Baerga of the Indians. Justice later homered to win the World Series for Atlanta. Page 23.

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Fierce Battle in Sri Lanka

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Leeson Won't Appeal Extradition

On Time and Under Budget / A Vote of Confidence in the Future

Hong Kong's New Airport: An Enormous Project Reshaping the City

By Edward A. Gargan
New York Times Service

HONG KONG — The Kwoks had just sat down to a meal of steamed fish and stir-fried pork. With a roar, the floor shuddered and the chopsticks in Kwok Tai-ming's hands clattered against his rice bowl.

Overhead, seemingly skimming the roof of the tiny seventh-floor apartment, a Cathay Pacific 747 screamed past, banking amid apartment blocks toward Hong Kong's airport at Kai Tak. And then another, and another, every two or three minutes.

By mid-1998 those jets will be stilled. Kai Tak is Asia's third-busiest airport, hunkered down in the heart of the city — the Kwoks and more than 350,000 people live in its landing pads — and stretched far beyond its capacity.

So Hong Kong, like many fast-growing Asian cities, is building a new one — and in the process giving a resounding vote of confidence in Hong Kong's future.

But this is no ordinary project. Hong Kong is spending more than \$20 billion to literally reshape the city to make way for the airport. With the possible exception of the Three Gorges Dam on the Yangtze River in China, it is the world's largest infrastructure project.

Perhaps most startling, to those who hear regularly of delays and cost overruns elsewhere, this one, after an initial snag, is humming along largely on schedule and is even under budget.

Taxes have not gone up, budgets of debt do not loom. The opening may be delayed because of squabbles about how it will be operated, but construction is moving rapidly ahead.

"They don't get any bigger than this," said James D.A. van Hoften, a former astronaut and senior Bechtel vice president who is coordinating the 10 main projects that make up what is called the Airport Core Program.

"Things are going amazingly well," he said. "Part of it is that Hong Kong works better than anywhere else. The U.S. government should come and look at how public works projects are done here."

U.S. companies will see little of this project, though. Of 151 major construction contracts, worth more than \$12 billion, U.S. companies have less than 2 percent of the work. Japanese, Hong Kong and British companies have captured most of it, with those from China, the Netherlands and France getting smaller slices.

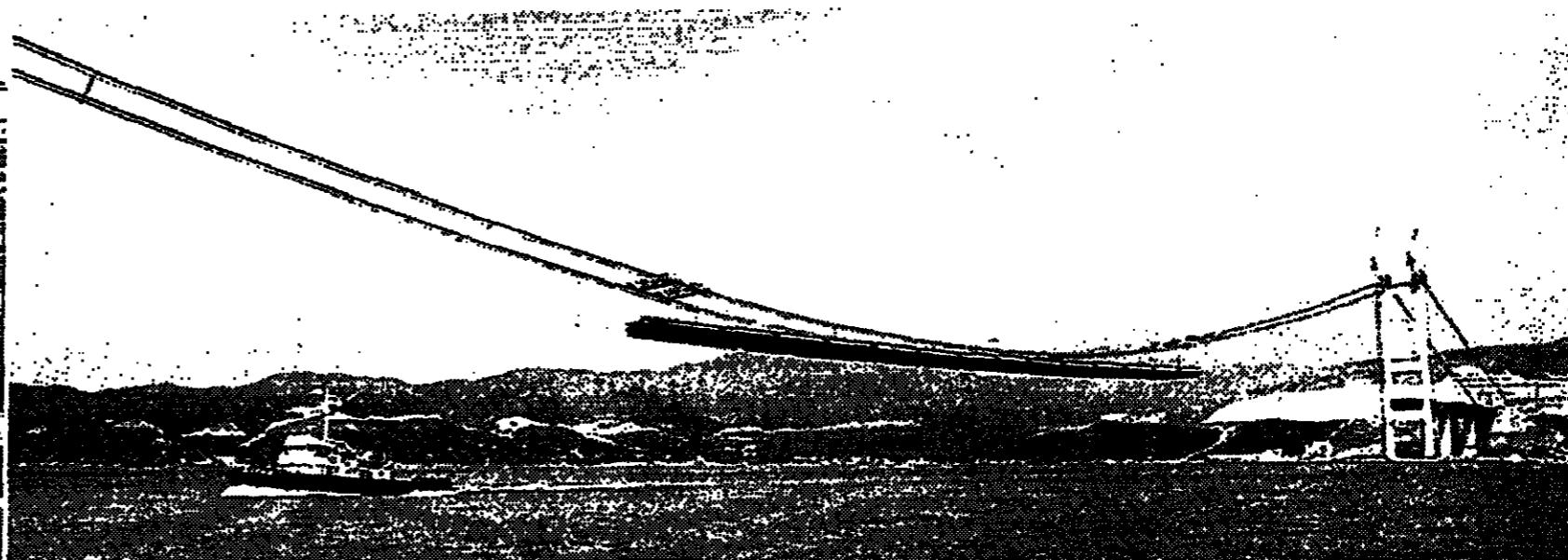
Commerce Secretary Ronald H. Brown, who stopped in Hong Kong after his recent visit to Beijing, expressed his frustration about the low level of U.S. participation, which he ascribed partly to "a lack of aggressive pursuit of some of those opportunities."

The huge project includes the following:

* A brand new town, complete with schools, police stations, fire houses and shopping centers, that will be home to 20,000 people.



Work on the new airport for Hong Kong, left, encompasses many superlatives, including the Tsing Ma suspension bridge, right, which will contain one of the longest center spans in the world.



* Two suspension bridges, one with a central span longer than that of the Verrazano Narrows Bridge in New York.

* A high-speed rail system to whisk travelers the 21 miles (34 kilometers) from central Hong Kong to the airport at Chek Lap Kok island in 23 minutes.

* A six-lane highway from the city's center right to the airport.

* A third tunnel under Hong Kong's harbor.

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The vastness of the project would stagger most national governments. Most of the airport's five square miles (1.5 square kilometers) have been wrenched from the sea, plus 825 acres (334 hectares) of new land created in Hong Kong's harbor to support the new highways, office towers and apartment blocks.

THE bridges, highways and rail system, all of which would challenge builders anywhere, are racing toward a coordinated completion, one piece fitting into another, all to be woven seamlessly into this city's fabric. "They want it to be done mostly by 1997," said Mr. van Hoften. "And they will."

But unlike most super-sized projects, this one is being paid for with relatively little borrowing. The government of Hong Kong is financing the bulk of it. There will be no new taxes, and the government will retain a sizable reserve afterward.

Indeed, the original budget, \$21.2 billion, was trimmed this year to \$20.3 billion. "And it'll come in less than that," Mr. van Hoften said. "How many times has that happened in the U.S.?"

While the Eurotunnel linking England and France is mired in \$12.3 billion in debt, the Provisional Airport Authority here confidently predicts that it will pay off its debt within four years of opening.

And while vast mass-transit projects in Taipei and Bangkok are bogged down in corruption, shoddy construction and

political infighting, the Mass Transit Railway Corp., which is building the high-speed train to the airport, predicts that this project, too, will be completed on time and possibly under budget.

And that is not viewed here as boastful, just an expression of routine competence. Hong Kong's mass-transit system is, after all, the only one on earth that earns a profit.

Not that the whole project has always gone smoothly. The original timetable — completion by June 30, 1997, the day Britain returns Hong Kong to Chinese sovereignty — was shattered by a prolonged and angry dispute between London and Beijing over the project's financial structure. The Chinese insisted that Hong Kong sharply reduce the amount of debt, and the two governments finally agreed in June that total borrowing would not exceed \$2.6 billion.

Although there have been a series of plans since the late 1960s to build a new airport — landing planes in the middle of the city was never regarded as ideal — it was not until after the China's Tiananmen Square bloodshed in June 1989 that the Hong Kong government began aggressively pushing the project, one intended to allay residents' alarm over the future.

Even while the British and Chinese were locked in discussions, the Hong Kong government began writing checks to get things started. One Herculean task was flattening Chek Lap Kok island and reclaiming the airport site from the sea,

But even that was finished faster than its scheduled 42 months.

About 20 percent of the current work force of 18,000 is made up of foreign workers — Thais, Filipinos, mainland Chinese. Minimum wages are fixed at \$1,280 a month, but many workers have complained that contractors are fleecing them of part of that. Only recently, after repeated complaints, has the government looked into the matter.

Even Mr. van Hoften is dismayed about the environmental laxness — dredging and filling in the harbor without studying the impact and threatening the breeding grounds of rare white dolphins, among other things. "It's criminal," he said.

A ONE-HOUR boat ride from central Hong Kong to the airport site shows both the project's dimensions and its impact on the face of the territory. From Hong Kong island, where part of the harbor has become land for the highway tunnel entrance and a rail station, across the harbor to Kowloon, where acres of landfill support a nearly complete six-lane highway, the very shape of the city is changing.

Two monumental parts of the project are the bridges of the Lantau fixed crossing, a short cable-stay bridge and a towering suspension bridge that will have one of the world's longest single spans.

"That project by itself would be spectacular anywhere," said Mr. van Hoften. "Here, it's just a 'by the way.'"

Past the bridges, which will carry six lanes of traffic on the upper decks and enclosed railbeds on the lower decks, the highway and tracks run along the forested northern edge of Lantau island, toward the new town of Tung Chung.

Across a cramped channel of water, spreading out like a great sandbox, is the platform for the new airport, a foundation that required more than half the world's dredging fleet to construct.

But there is virtually no sign of U.S. participation.

A director of a major Hong Kong infrastructure company, one that is building large chunks of the project, chuckled when asked about the absence of Americans. "American companies just don't know how to operate in this kind of environment in Asia," said the director, who asked to remain anonymous.

"In a project like this, you have to bid low on certain projects, take a loss, and make it up on pieces elsewhere," he said.

"That's the way it works. Americans just want to come in and make a lot of money on one deal. That will never work."

COMING UP
Kim-watchers — those seeking to chart the character and course of Kim Jong Il — are having a hard time of it. North Korea's reclusive leader has given them few clues.

Marcos Victims' Wait Is Over

Money Must Substitute for an Apology

By Philip Shonan
New York Times Service

sation from the family of President Ferdinand E. Marcos, the Philippine dictator who directed his soldiers to imprison and torture thousands of suspected leftists and others.

Mrs. Rosales, now 56, will probably never hear that apology. But to the surprise of many Filipinos who thought that the victims of the Marcos tyranny would never see a penny of the late dictator's ill-gotten fortune, the long wait for compensation may finally be over.

A sizable chunk of the Marcos loot has been located in Switzerland and is apparently on its way home to this destitute nation, to be shared between the Philippine government and nearly 10,000 Filipinos who asserted in court that they were the victims of rights abuses in the Marcos era.

The money — about \$475 million was stashed by the Marcos family in once-secret Swiss bank accounts, money that the Philippine government assets was stolen from the national treasury.

After almost a decade of legal pyrotechnics, Swiss prosecutors announced in August that they were ready to ship the money back to the Philippines.

The Swiss announcement is being described as a landmark in the Philippine government's long, often ridiculous hunt for the assets of Marcos, who was forced out of power in 1986 and died in exile in Hawaii in 1989.

"If we see this money, I will feel, not a sense of revenge, but a sense of justice," said Mrs. Rosales, a political scientist

whose Manila home is a gathering place for human rights victims seeking compensation from the Marcos family.

Each of the victims is expected to receive thousands of dollars, a vast sum in a nation in which the average income is only about \$1,000 a year.

The Swiss deposits represent a fraction of the billions of dollars that Mr. Marcos and his 66-year-old widow, Imelda, are accused of looting from the Philippines in their 20 years in power. The government puts the total theft at more than \$5 billion.

The hunt for the Marcos riches has been a source of keen embarrassment to the Philippine government, with its lawyers spending millions of dollars on globe-trotting investigations since 1986 that until now recovered relatively little of the cash that the Marcos family had supposedly hoarded overseas.

Philippine government officials and lawyers for the nearly 10,000 human rights victims said they were working on a deal over how to divide the money.

The proposed deal would give \$100 million of the Marcos fortune to the victims and their families. Under Philippine law, the rest of the money would go to the Marcos family.

The Marcos family is facing a \$2 billion judgment from a case won by rights victims in 1992 in a U.S. court in Hawaii. Mrs. Marcos, who returned from exile in 1991, is now appealing a 17-to-24-year prison sentence for her 1993 conviction in Manila on graft charges.

Iraq Defector To Go Home, Report Says

Compiled by Our Staff From Dispatches

LONDON — Saddam Hussein's son-in-law, who fled to Jordan in August, is preparing a dramatic return to Baghdad this week, The Sunday Telegraph reported.

Lieutenant General Hussein Kamel Hassan, who defected with his brother and their wives, Mr. Saddam's daughters, has said he is ready to accept Saddam's word that he can return in safety, "the paper said in a front-page article.

Mr. Saddam has said he was prepared to forgive and forget as long as his daughters return home, according to the paper.

"The Iraqi general has now informed his advisers that he is prepared to take the mother of all calculated gambles and throw himself on Saddam's mercy," it said.

A member of General Kamel's entourage said that the general had "received numerous messages from the Iraqi leadership, especially in the first weeks following his defection with the aim of convincing him to return. He has always refused."

General Kamel, has reportedly briefed intelligence officials from Britain, the United States and the Middle East.

(AP, AFP)

TRAVEL UPDATE

Traffic Restrictions in Smoggy Italy

ROME (AP) — The centers of Bologna, Udine and other Italian cities were closed to traffic over the weekend, while Naples and Modena announced a similar traffic ban for Monday because of weeks of dry, windless weather that has pushed pollution rates to dangerous levels.

Rome is expected to decide on possible traffic restrictions until the smog dissipates. Rome's traffic commissioner, Walter Tocci, said the city would expand its pollution-monitoring network in January and added that "more severe" traffic controls were in the coming months.

"We have to respect the health of the citizens," he said.

Train Strikes Feared in Belgium

BRUSSELS (Reuters) — Belgians faced the prospect of weeks of disruption on the train system after the unveiling of a plan to cut 8,000 to 10,000 railway jobs over 10 years.

The national railroad, the Societe Nationale des Chemins de Fer, said there were no plans to cut lines or close stations, but said the job cuts were necessary to attract investment and end losses.

Trade union leaders reacted angrily to the news, raising the prospect of further strikes. Last week, a one-day rail strike over the plan's suspected contents brought trains in Belgium to a standstill, disrupting national and international travel.

Israel will seek international bids to pave a 300-kilometer (180-mile) highway that will stretch from the Egyptian border in the south to Lebanon in the north, Israeli officials said. Yehuda Cohen, director-general of the project, said the highway would be a toll road and that the first planned 90-kilometer stretch through the center of Israel would cost about \$700 million. Bidding will begin next week and close in February, Mr. Cohen said. (AP)

The famed Munich restaurant Aubergine has gone out of business. The former three-star restaurant earned an international reputation under its chef, Eckart Witzigmann. But after a cocaine conviction, he lost his license and the restaurant lost business under a new chef.

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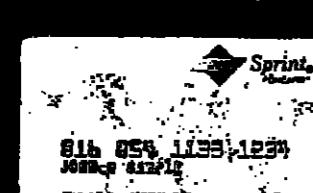
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THE AMERICAS

Veto Threat Is Renewed as Senate Approves Budget

By Todd S. Purdum
New York Times Service

WASHINGTON — Hours after the Senate approved a sweeping budget bill, President Bill Clinton made his strongest warning yet to the Republican Congress, saying that not only would he veto the bill but also that "there is nothing for us to talk about" until money is restored for health, education and the environment.

By a vote of 52-to-47 shortly after midnight Saturday, the Senate approved the huge revenue and spending measure, which would cut taxes by \$245 billion over seven years, sharply curb the growth of outlays for Medicare and Medicaid and turn over to the states broad new responsibility in caring for the poor.

Negotiators must now reconcile it with a similar bill approved by the House, by 227-203, probably late next month.

During a session of almost 15 hours beginning Friday morning, the Senate adopted a number of proposals demanded by moderate Republicans, that veered away from the more conservative House version.

But the president insisted that he had no intention of ne-

gotiating a compromise until the Republicans moved his way, even if they tried to force his hand by refusing to extend the government's borrowing authority so it could keep paying its bills during a stalemate — a threat Mr. Clinton called "blackmail tactics."

"Hear this: Before or after a veto, I am not prepared to discuss the destruction of Medicare and Medicaid, the gutting of our commitment to education, the ravaging of our environment or raising taxes on working people," Mr. Clinton said in his weekly radio address. "So I say to the Republican leaders: Back off your cuts in these vital areas. Until you do, there is nothing for us to talk about."

In the Republican response, the House speaker, Newt Gingrich, warned Mr. Clinton to "think twice about vetoing the balanced budget and jeopardizing long-overdue revolutionary change," and said the president "promises to be a roadblock."

The Senate majority leader, Bob Dole of Kansas, added: "America cannot afford to continue on this destructive course."

The vote Saturday morning sets the stage for a new round of

high-stakes wrangling between Capitol Hill and the administration that White House aides acknowledge could well result in a series of vetoes of the individual appropriations bills as well as the budget package passed this week and a virtual stalemate through the end of the year.

They say that is a risk Mr. Clinton is prepared to take to preserve what he can of his priorities and build a record for his re-election campaign next year.

Congressional Democrats have worried that Mr. Clinton,

whose propensity for compromise is celebrated, will be too quick to bargain, and his tough language Saturday seemed intended to help allay those fears and to portray himself to the public as the true defender of middle-class interests and what he called on Saturday "national values."

"You say your principles are a balanced budget, a tax cut, extending the life of the Medicare trust fund," Mr. Clinton said, addressing the Republicans. "I want all those things. They are my principles, too. But there are other important

principles, the one that I have outlined. They are morally right for America, and they are good for our economy."

Repeating his refusal to let the Republicans pressure him into an agreement by holding up an extension of the federal debt limit, which expires next month, Mr. Clinton warned: "I am not about to give in to that kind of blackmail."

"If they send me a budget bill that says simply, 'Take our cuts, or we'll let the country go into default,' I will still veto it," he added.

In the coming weeks, Repub-

lican negotiators from the House and Senate not only will have to iron out the differences between their bills but also, in the face of Mr. Clinton's veto threat, might make accommodations to win White House support.

The Democrats' remaining strength in Congress virtually assures that Mr. Clinton's vetoes on budget bills will not be overridden. But what would happen after such a veto is far less clear. The consensus view in the White House is that a compromise will eventually be reached, but no one any longer believes that will happen soon.

Q&A / A Leap Into the Unknown

The Future of Quebec as a Nation-State

With Quebec voting in an independence referendum on Monday, Brian Knowlton of the International Herald Tribune interviewed several Canadian experts on the likely impact of a 'yes' vote.

Q: What would a yes vote mean to Quebec and its people? How would it affect their daily lives, the way they work?

Robert Young, political science professor at the University of Western Ontario and author of the book "The Secession of Quebec and the Future of Canada": The immediate impact is incredible uncertainty — political and economic. There's never been a secession from an advanced industrial country before. One would assume the political uncertainty would register in the financial markets, and I would expect really heavy selling pressure on the Canadian dollar. Interest rates might have to be raised by the Bank of Canada, there might have to be a G-7 prop-up effort.

Nathalie des Rosiers, an expert on constitutional law who is a member of the Quebec Bar and the Law Society of Upper Canada and was a consultant to the Ontario premier's constitutional committee on the Quebec question: There should not be an immediate big change in the Quebec population's standard of living, except that economic uncertainty affects us all. Some angry Canadian companies might not want to sell or buy Quebec products, but the impact is not clear.

Jean-Marc Léger, president of Léger and

Léger, Canada's largest Francophone polling organization: Instead of two overlapping governments, federal and provincial, there would be only one; instead of two health ministries, there would be one; instead of two transportation ministries, there would be one. There is redundancy in everything now. That would change. In the short term, there would be some very great changes. But everything, of course, depends on the terms of a partnership worked out with Canada.

Q: How could the federal government in Ottawa minimize the uncertainty following a yes vote?

Mr. Young: The best solution for Prime Minister Jean Chrétien, going against his gut feelings, would be to join with his cabinet and make a joint statement that Canada accepts the result and, in principle, Quebec will become a sovereign country. There would have to be immediate agreements in principle on key issues: borders —

will they stay intact or not? — the army, which is critical; the debt, and how it will be divided; aboriginal rights, public services and citizenship.

Q: What will the longer term impact be?

Dr. Harold Clarke, a Canadian on the faculty of the University of North Texas who is carrying out a study of the referendum for the National Science Foundation: The economic dislocation will be mainly short-term. It is certainly a highly

unusual and volatile situation. But in the longer term, Quebec compares quite well to the economies of the smaller European countries. It seems quite reasonable that they would have a very viable economy down the road.

Q: Could a yes vote lead to a further breakup of the rest of Canada?

Michel C. Auger, columnist for *Le Journal de Montréal*: I do not think so. I think the Canadians will realize that they have more in common than they thought.

Jonathan W. Rose, a specialist in Canadian politics at Queen's University in Kingston, Ontario: We could see a domino effect with the Atlantic provinces, particularly since they would be physically separated from the rest of Canada, but also British Columbia, which has developed stronger and stronger ties to Asia.

Ms. des Rosiers: I think the Maritime Provinces are not likely to leave — they are the poor provinces, they are the ones most dependent on federal subsidies. British Columbia, on the other hand, is one of the rich provinces, one of the provinces that has the least to do with the rest of Canada.

Mr. Young: Poll after poll has shown that Canadians identify more with Canada than they do with their own province or region, and overwhelming numbers prefer that the rest of Canada carry on as it is. In a constitutional crisis, I think loyalty and power would flow toward the center.

POLITICAL NOTES

Dole Does What He Has to Do

WASHINGTON — All week, leading up to the Republican victory on the giant budget bill, Senator Bob Dole, the majority leader, was working on two tracks: making the compromises needed for Senate passage, while keeping an eye on the race for the party's presidential nomination, where he has projected a more myielding image.

After weeks of harried rounds of the meetings, deals and reassurances needed to round up the 52 votes that passed the budget bill, he was not shy about stating his claim that his ability to get things done on the Senate floor is the best proof of his fitness for the White House.

"It's about leadership, and I'm the leader," he said in a brief interview in his office during a voting break. "I get it done. If I didn't get it done, it would be a big thing. So I think I should get some credit when I do."

Others, including some of the other contenders for the Republican nomination, see it differently. Throughout the process, Mr. Dole has had to contend with fibs from Senator Phil Gramm of Texas, one of his chief rivals for the nomination, who has made an issue of Mr. Dole's inside deal-making image. (NYT)

Perot Uncorks Vintage Speech

NEW BRUNSWICK, New Jersey — Ross Perot brought his twang and his pungent criticism of the major parties to New Jersey, telling his United We Stand supporters to back New Jersey's infant Conservative Party in the General Assembly elections as a prelude to sweeping Congress and the presidency with a new national political party next year.

The Texas industrialist uncoiled a speech that was vintage Perot: the Democratic and Republican Parties, he said, are "bought and sold" by special interests; federal bureaucrats are too stupid to manage federal programs properly, and the United States' economy has fallen in thrall to the low wages and high technology of foreigners.

"Here is why we have to win the presidency in '96," said Mr. Perot, whose political organization, renamed the National Reform Party, has won spots on the California, Ohio and Maine presidential ballots for next year. "Right now, this country is a patient on the table bleeding internally, and we've got four broken fingers, and guess what? The doctor is the Republicans and the nurse is the Democrats, and they're fighting, and all they can agree to do is put a splint on those fingers."

Studs Won't Seek Re-Election

EDGARTOWN, Massachusetts — Representative Gerry E. Studds of Massachusetts, a Democrat in his 11th congressional term, announced Saturday that he won't seek re-election next year.

"It is time for me to move on to other challenges," Mr. Studds said at a news conference.

Mr. Studds, 58, is one of the few openly homosexual members of Congress. In 1983, he was censured by the House for having sex with a young man who had served as a congressional page. Despite the bad publicity, Mr. Studds kept on winning re-election. (AP)

Quote/Unquote

President Bill Clinton: "Hear this: Before or after a veto, I am not prepared to discuss the destruction of Medicare and Medicaid, the gutting of our commitment to education, the ravaging of our environment, or raising taxes on working people. So I say to the Republican leaders: Back off your cuts in these vital areas. Until you do, there is nothing for us to talk about."

(NYT)

Away From Politics

• A Nevada jury has ruled that Dow Chemical Co. must pay a woman \$3.9 million because of faulty silicone breast implants, the first time the company has been held liable for health problems that allegedly affect at least half a million women. The woman's husband was awarded \$200,000 in damages. The verdict in favor of Charlotte Mahoun, 46, of Elko, Nevada, who received the implants 10 years ago after losing her breasts to cancer, may inspire thousands more lawsuits, attorneys said. (WP)

• The College Board, which oversees the Scholastic Assessment Test, admitted that the exam given Sunday was identical to that given April 2. But spokesmen for the board and the Educational Testing Service, which administers the test, said that familiarity was not likely to raise the scores of the 100 or so students who repeated the test. (NYT)

• Eight children who died in car crashes in recent years may have been killed by the cars' air bags, the administrator of the National Highway Traffic Safety Administration said in announcing that the agency would begin considering whether there was a need to adopt a new standard of air-bag design.

• The murder rate in New York City dropped nearly 30 percent during the first nine months of 1995, according to preliminary Police Department statistics, as the overall crime rate continued a five-year decline. The police reported 915 homicides between Jan. 1 and Sept. 30, down from 1,233 in the same period last year. Auto thefts decreased by 25 percent and robbery rates fell 20 percent. (NYT)



VIRAL ENIGMA — A boy being tested for a mysterious virus that has killed 12 people in Achuapa, Nicaragua.

A Hated Argentine Vows to Keep Talking

By Calvin Sims
New York Times Service

LA PLATA, Argentina — Adolfo Francisco Scilingo is a hated man in Argentina.

The military hates him because he broke a sacred code of silence in March when he admitted pushing political prisoners to their deaths from airplanes during the military dictatorship in the late 1970s.

Human rights groups have Mr. Scilingo because he is a confessed torturer and murderer and a former military officer who cannot be prosecuted because of an amnesty. And the government hates him because his admission nearly derailed a re-election bid by President Carlos Saúl Menem this year.

Mr. Scilingo, who has been imprisoned here for five months awaiting trial on fraud charges, asserts that he is innocent and that he was framed by the military and Mr. Menem, who ordered that Mr. Scilingo be stripped of his retirement rank after he spoke out.

"I don't think that the goal was to silence him, because it was clear that Scilingo wanted to continue talking," Mr. Abregu said. "I think his jailing during the repression.

Mr. Scilingo said he passed his days exercising and writing his memoirs, which he said would reveal other crimes that he committed at the infamous navy de-

tection center in Buenos Aires.

"There was a way of discouraging others from confessing."

The judge in Mr. Scilingo's case, Osvaldo Miguel Solimine, said in an interview that there was overwhelming evidence implicating Mr. Scilingo in a scheme to defraud Argentines of tens of thousands of dollars.

"There has been no influence here by the government or by the military," Judge Solimine said. "Mr. Scilingo conspired with these other individuals to commit fraud and under the law we must keep him in jail."

Human rights groups say Mr. Scilingo has been forced to re-align himself philosophically.

"Scilingo is seeking allies where he never would have looked for them," Mr. Abregu said. "As for us: do we love Scilingo? Of course not. But we don't want him or other Scilingos to stop talking."

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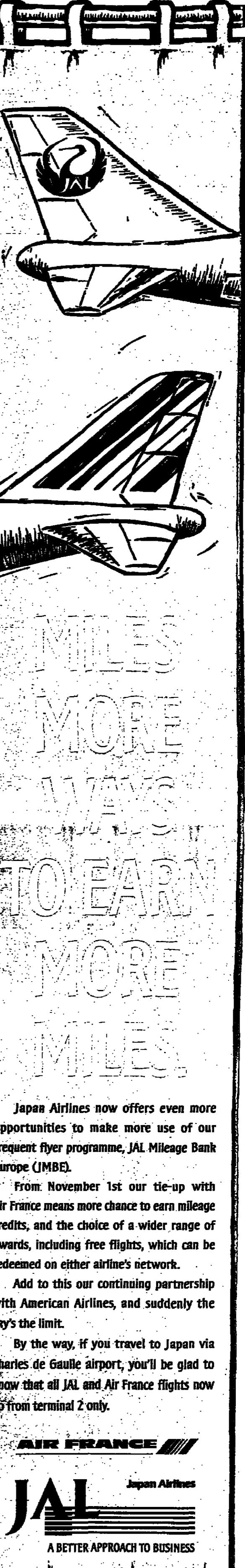
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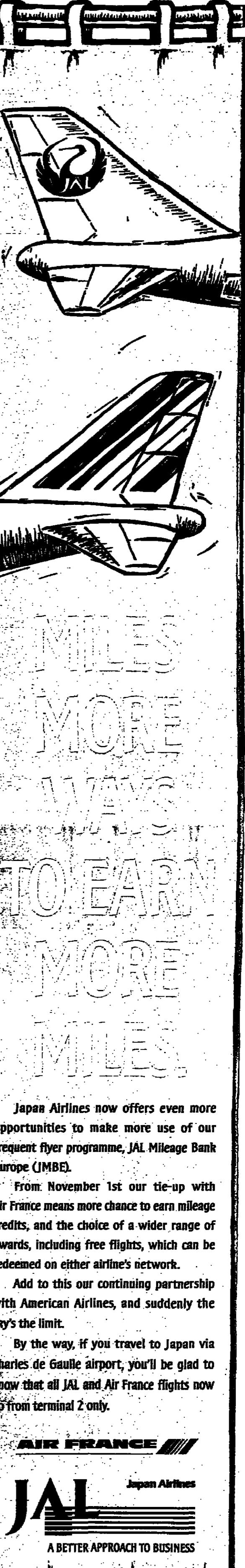
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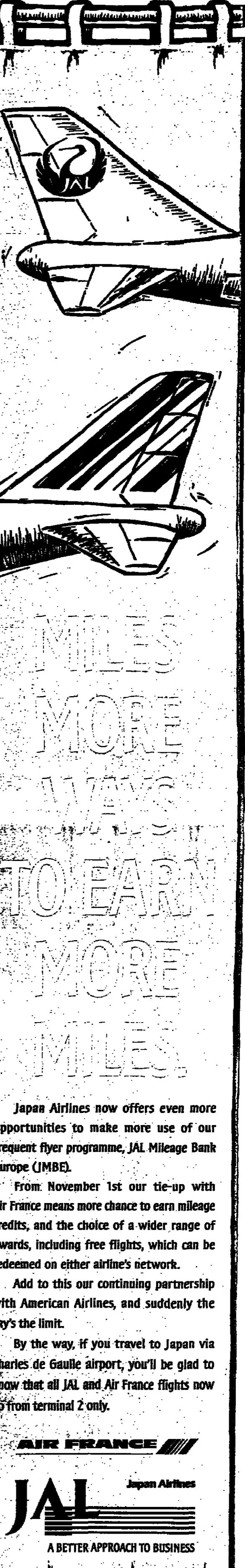
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Sri Lankan Army Conquers a Key Town Near Jaffna

Agence France-Presse

COLOMBO — Fierce hand-to-hand fighting raged in northern Sri Lanka on Sunday as the army advanced into a key rebel-held town amid stiff resistance, leaving at least 71 killed on both sides, the military said.

Some 7,000 soldiers backed by tanks and artillery advanced into the small town of Neerveli, regarded as a vital stepping stone in the battle for Jaffna, the rebel capital, a military spokesman said.

The spokesman, Sarath Munasinghe, said the separatist Liberation Tigers of Tamil Eelam (LTTE) put up stiff resistance to slow the army advance by firing a barrage of mortars.

"Neerveli is a key town for the LTTE," Mr. Munasinghe said. "The fall of Neerveli leaves us only one more small town before we go to Jaffna." He said 31 soldiers were killed and 35 were wounded Sunday.

He said the army was advancing after a two-day break that allowed them to

consolidate in the area captured from the Tigers since launching the Rivirasa (Sunshine) offensive on Oct. 17.

Mr. Munasinghe said the army found a well-fortified bunker line and a minefield laid by the guerrillas at Neerveli, just eight kilometers (five miles) north of Jaffna.

"The Tigers offered stiff resistance as we began the advance at first light today," Mr. Munasinghe said. "But we are pressing ahead." He added that the Liberation Tigers may have removed some installations in the area.

A brief military statement claimed that at least 40 Tiger soldiers had been killed in close-range fighting and that more guerrillas had been wounded.

The latest casualties raised army losses in the offensive to 159 killed and more than 500 wounded. The government has said the offensive is a move to capture Jaffna at any cost.

The army's estimate of Tiger losses has risen to 560 killed and more than 1,500 wounded. The military has not given figures for civilian casualties but a Roman Catholic priest who traveled

from the region said that about 35 to 40 people have been killed.

The army's renewed push toward Jaffna came as the rebels called for foreign mediation to end Sri Lanka's ethnic war. The rebels said that third-party intervention was needed to remove mistrust and resolve the conflict, which has claimed more than 50,000 lives since 1972. They blamed Colombo for rejecting mediation, which they said had been offered by Australia, Britain, Canada, Norway and the United States.

Storm Sweeps Central Philippines

BACOLOD, Philippines — The tropical storm designated Zack killed nearly 100 people, forced 60,000 others to flee their homes and sank two passenger ferries in a devastating sweep across the central Philippines, officials said on Sunday.

The storm flattened more than 2,000 houses, most of them built of wood, downed power lines, knocked out telephones in eight provincial cities and triggered floods that ravaged sugarcane plantations in the Visayas region.

More than 5,000 other houses were partly damaged, relief officials said.

President Fidel V. Ramos declared a state of calamity in Visayas to enable the central government to release emergency funds to rebuild the area. (Reuters)

U.K. Rejects Hong Kong Indians

LONDON — The governor of Hong Kong, Chris Patten, said on Sunday the British government had refused to yield to his appeal on behalf of 7,000 Indians living in the colony who could be made stateless when China takes over in 1997.

Mr. Patten said he had spoken to ministers during a visit to London urging that people originally from the Indian subcontinent should be given full British passports before the handover and allowed to resettle in Britain.

"I think the British government should turn on that, I've argued it again this week, and I will continue to argue it," Mr. Patten told independent London Weekend Television.

"I got the response that I've had in the past, which was to say if these people find themselves in any particular difficulties after 1997, if they're being discriminated against, then we will look at their case very sensitively." (Reuters)

New Delhi Dissolves an Assembly

NEW DELHI — The central government dissolved the first state assembly governed by low castes because of political instability that has paralyzed it.

It was the second time the government in Uttar Pradesh, India's most populous state, has fallen since July. President Shankar Dayal Sharma dissolved the 425-member State Assembly following the latest round of political instability. (API)

2 Are Killed in Karachi Violence

KARACHI — Two people were killed Sunday as Pakistan's commercial capital remained at a standstill during a strike called by the Mohajir Qaumi Movement, hospital officials said.

Both victims were found in the city's central district, one shot and stuffed into a sack. Police said they had not been identified. (AFP)

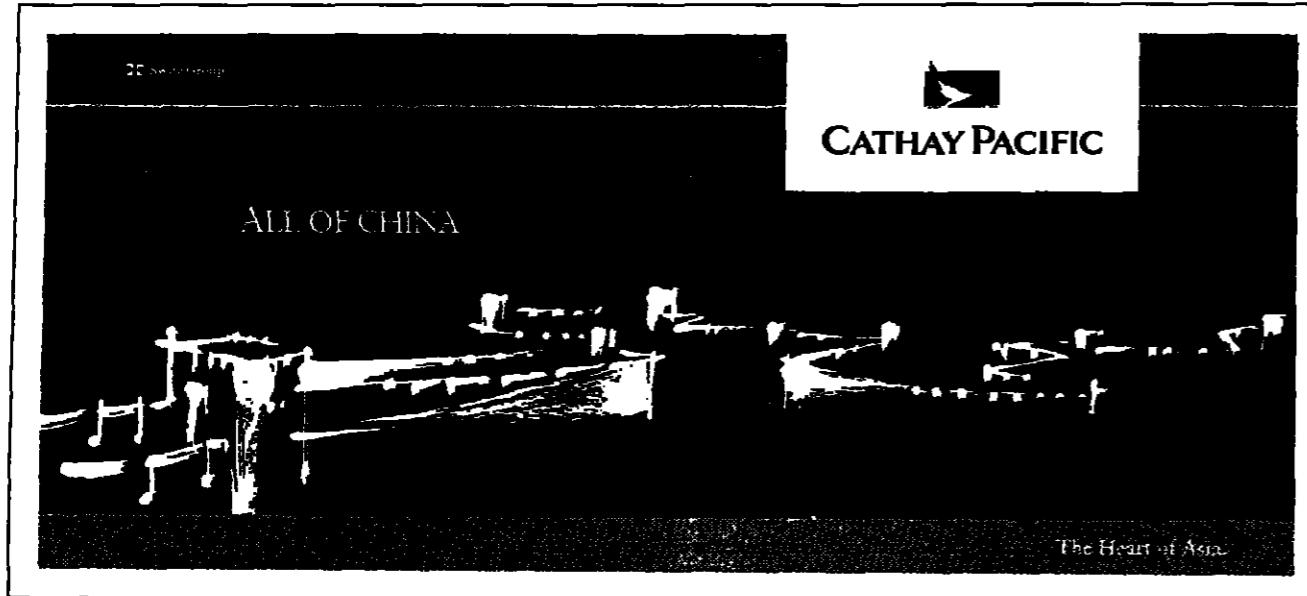
VOICES From Asia

Prime Minister Tomiichi Murayama of Japan on France's third nuclear test on Friday: "We have repeatedly protested the testing . . . and we will again demand that the testing be stopped." (Reuters)

Human Rights Watch, noting a series of violent attacks against journalists and opposition politicians in Cambodia in the past two months: "There is growing intolerance of criticism on the part of the government, which appears to have fostered an atmosphere conducive to such incidents." (AP)



Opposition party officials, Kim Dae Jung, left, and Kim Young Bae, conferring Sunday at the airport in Seoul.



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telling you about the coronation of a king, or the inauguration of a president. Instead they will recall a face, remember a person, perhaps from long ago, in a faraway place, who did something that stunned them.

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endured famine, flood, disease or war. It might have been an act of insane courage, by someone whose name will never find a place in history books.

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EUROPE

BRIEFLY EUROPE

U.S. and Russia Set Deal on Treaty

By Bradley Graham
Washington Post Service

WASHINGTON — Defense Secretary William J. Perry has reached "a meeting of the minds" with his Russian counterpart, General Pavel S. Grachev, on amending the treaty limiting conventional forces in Europe to allow Russia to keep more military equipment in some border areas.

Russia has been seeking changes in the 1990 treaty for more than two years, asserting

that some limits fail to take into account new borders and circumstances resulting from the Soviet Union's collapse in 1991.

After threatening earlier this year to ignore the treaty when new limits go into effect on Nov. 17, Russian officials recently signaled a willingness to negotiate. But Moscow has continued to insist on being allowed greater flexibility in moving and basing troops along its northern and southern flanks.

The Clinton administration

has hoped to avoid a fight with Moscow over the treaty. U.S. officials say the number of tanks, artillery pieces and other conventional weapons at issue in the border areas is not very significant militarily — representing about 4 percent of Russia's total.

But where Russia positions those troops — near the Baltic republics in the north or in Chechnya and throughout the Caucasus in the south — is a sensitive political issue in Europe, particularly for Norway and Turkey. Moreover, any deal the Russians are able to work out will have ramifications for Ukraine, Poland and other treaty signatories desiring adjustments.

Mr. Perry cited Saturday's breakthrough on the Conventional Forces in Europe treaty as another sign of what he described as an increasingly close and productive working relationship with General Grachev. "We came to a meeting of the minds between the United States and Russia on how to proceed on the CFE treaty on the issue which has been a problem — namely, the flank limits imposed by that treaty," Mr. Perry told reporters.

The agreement came somewhat unexpectedly, as the two men flew together to Washington after two days of touring military bases in the Midwest, where they witnessed the first U.S.-Russian peacekeeping exercise in the continental United States and jointly pushed a detonator blowing up a silo that once housed a Minuteman II intercontinental ballistic missile.

They also were able to announce some progress Friday in finding ways to incorporate Russian troops in policing and rebuilding Bosnia if a peace settlement is reached there.

Negotiated in the final days of the Cold War, the conventional forces treaty sets limits not only on the number of weapons that can be deployed in countries, but also on the number that can be deployed in specific border areas. The treaty requires the Russians to reduce military equipment levels in northern and southern regions from about 11,500 pieces to no more than 4,360.

The deepened spirit of cooperation between Mr. Perry and General Grachev was on display when they stood on the edge of a Missouri cornfield near Whiteman Air Force Base and, each with a finger on the detonator, set off an explosion that destroyed a Minuteman silo.

"The most reasonable path would be for elections in March," Mr. D'Alema said. "Since there is no agreement to implement reforms, nobody is interested in trying to scrape along."

The dominant center-right

and center-left blocs in Parliament have made no headway in

deciding how to change electoral, parliamentary and institutional systems to ensure that Italy's next government is more durable than its 54 postwar predecessors.

"This is one of the most

memorable days of my life."

Doctors say that Mr. Yeltsin is suffering from ischemia, the blood supply problem that sidelined him for about a month in July and August, and that he should remain under close medical supervision through November.

Berlusconi Pushes for Elections
Fretting at Reform's Pace, Parties Back Early Vote

Reuters

ROME — Former Prime Minister Silvio Berlusconi and his political enemies united in agreement Sunday, saying Italians should go to the polls once the 1996 budget is approved rather than wait for Parliament to decide on political reforms.

Mr. Berlusconi, having failed to topple Prime Minister Lamberto Dini's center-left government in a no-confidence vote Thursday, again called for a general election to be held as soon as possible.

He said in an interview on Italian RAI television late Saturday that the center-right was absolutely against any proposed government of national unity, or *governissimo*, that

would oversee reforms and electoral change. Although Mr. Dini says he will resign before year's end, he is said to harbor ambitions to head such a government.

"We want to go to elections because they are the only way to have a real government," Mr. Berlusconi said.

Italy has had a government of nonpolitical technocrat ministers like Mr. Dini, a former central banker, since Mr. Berlusconi's government collapsed in December, nine months after winning the 1994 elections.

The next general election is not due for three years.

A Berlusconi ally, Gianfranco Fini, leader of the extreme-right National Alliance party,

scorned the idea of postponing elections, as did Massimo D'Alema, leader of the former Communist Democratic Party of the Left, which backs Mr. Dini.

"The most reasonable path would be for elections in March," Mr. D'Alema said. "Since there is no agreement to implement reforms, nobody is interested in trying to scrape along."

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TRANSFER OF POWER — The outgoing Portuguese prime minister, Aníbal Cavaco Silva, center, nearly fainting during the swearing-in ceremony of his successor, António Guterres, in Lisbon. He stayed through the ceremony.

Spaniards Want González Tried

MADRID — A majority of Spaniards believe Prime Minister Felipe González should be tried for suspected involvement in death squads that hunted down Basque separatists, according to a poll published Sunday.

A poll commissioned by the Madrid newspaper *El Mundo* showed that 57 percent of those surveyed think Mr. González should stand trial, although only 26 percent believe the prime minister was responsible for establishing and organizing the death squads.

(AP)

Reverend Moon Banned From U.K.

LONDON — Britain banned the Reverend Sun Myung Moon, the controversial leader of the Unification Church, from entering the country. The Home Office, which is in charge of immigration, announced that the Korean-born Mr. Moon, 75, was being excluded from Britain because his presence was "not conducive to the public good."

(AP)

Suspected Terrorist Is Arrested

ROME — A suspected German terrorist who is wanted by France for her part in a car bomb attack against an Arabic-language weekly newspaper in Paris was arrested here, the police announced.

Margot Christa Froehlich, 53, had been followed by a special unit of Italian police for several days before her arrest at Rome's Termini railway station. Ms. Froehlich, who is suspected of

being a member of Germany's Red Army Faction terrorist group and is the wife of the Italian Red Brigade member Sandro Padula, was about to take a train for Germany.

She is suspected by the French police of having been a member of the group that attacked the offices of the weekly *Al Watan Al Arabi* near the Champs Elysées in Paris in 1982. One person died in the attack and 63 were wounded.

(AP)

Calendar

European Union events scheduled for Monday:

LUXEMBOURG: EU foreign ministers meet to discuss trans-Atlantic relations, the Euro-Mediterranean conference in Barcelona and aid for the reconstruction of the former Yugoslavia.

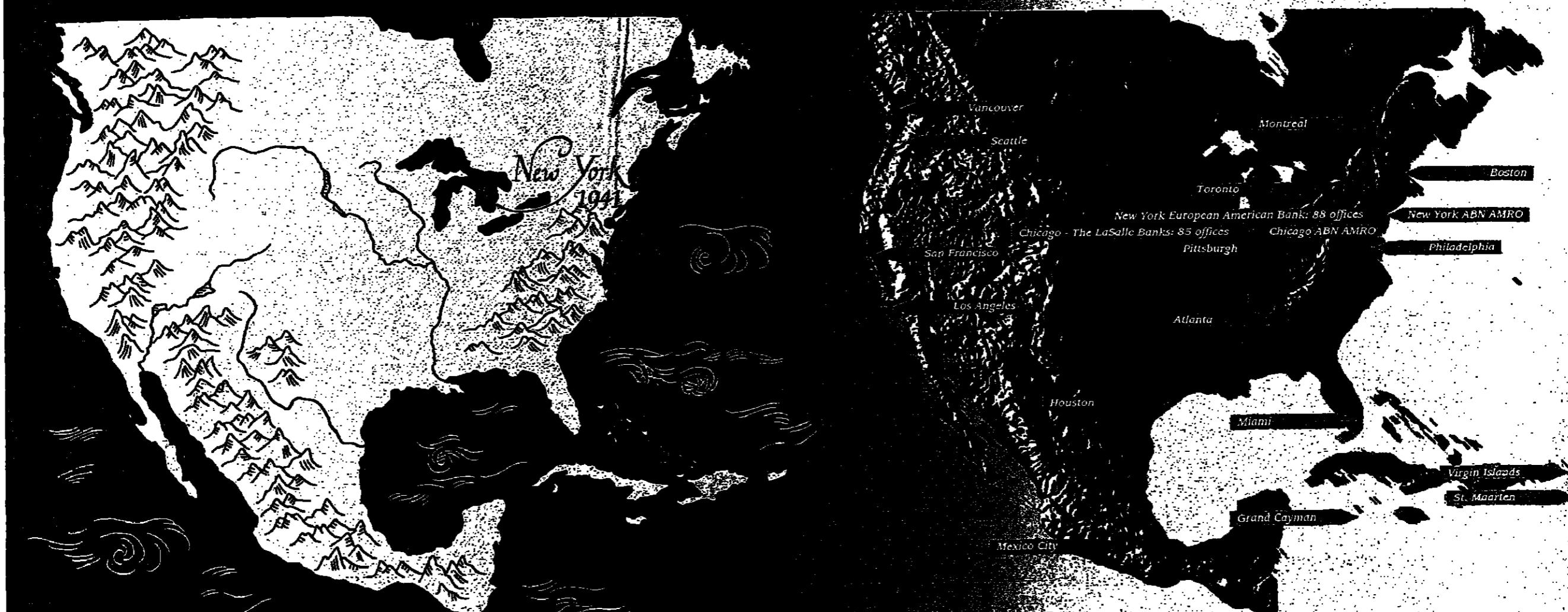
LUXEMBOURG: The association council meets to discuss the customs union between Turkey and the Union.

LUXEMBOURG: Council of EU research ministers.

LONDON: Yves-Thibault de Silguy, commissioner for monetary issues, meets with Adair Turner, managing director of the Confederation of British Industry, and British financial leaders.

Sources: Agence Europe, AFP.

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INTERNATIONAL

A Hopeful Mideast Summit

Unfinished Business Overshadows Talks

By John Lancaster
Washington Post Service

AMMAN — Statesmen and business leaders convened here Sunday for an American-backed conference aimed at breathing life into a new vision of the Middle East, where countries make deals instead of war.

But the opening day of the three-day regional economic summit was at least partly overshadowed by continued concern among Arab delegates about the unfinished business of Middle East peace, including stalled talks between Israel and Syria and Israel's presumed stockpile of nuclear weapons.

The U.S. secretary of state, Warren M. Christopher, set the tone for the meeting between Israel and many Arab countries, declaring in his speech during opening ceremonies that "agreements between governments are the basis of peace" and adding that "the reality of peace is found in deeds, not words."

To that end, he urged the participants — including Israel and most Arab countries except Iraq, Libya, Lebanon and Syria — to speed up efforts at cross-border cooperation in fields such as tourism, water resources and trade that began with a similar gathering last year in Casablanca.

Mr. Christopher noted that some countries already had begun to reap the benefits of peace, citing as an example Jordan, where tourism revenues have doubled since it concluded a peace deal with Israel last year. U.S. officials also disclosed new details of an American-backed plan to establish a regional development bank, headquartered in Cairo and aimed at stimulating private investment in the region.

The meeting at a sprawling conference center here has drawn representatives of about 60 countries and more than 1,000 businesses, including major multinational firms such as Sprint and Nestle. But despite the emphasis on peace and prosperity, the mood of the conference is not entirely upbeat.

Negotiations between Israel and Syria are deadlocked over Syria's insistence on the return

of the Israeli-occupied Golan Heights.

Mr. Christopher will stop in Damascus on Monday to discuss ways of breaking the deadlock with President Hafez Assad of Syria, but U.S. officials have played down expectations for a breakthrough.

Many Arab countries, moreover, remain wary of forging ties with Israel before there is a comprehensive peace, fearing that to do so would deprive Arab negotiators of the leverage they need to wrap up a fair settlement.

Egypt, in particular, has reacted coolly to American pressure to "normalize" relations with Israel, and the speech Sunday by Egypt's foreign minister, Amr Moussa, did little to improve the atmosphere.

Mr. Moussa said that it was impossible for any "Arab to imagine a final solution, or a comprehensive peace, without setting up an independent Palestinian state, without total withdrawal from Lebanese and Syrian lands" and without agreements that guaranteed a region free from weapons of mass destruction.

Speaking in Arabic, Mr. Moussa used a derogatory expression to accuse some Arab countries of moving with "unseemly haste" to conclude peace deals. Mr. Moussa's comments were widely understood by those in the audience as a dig at his Jordanian host, King Hussein, who among Arab leaders has moved fastest to capitalize on peace with Israel.

King Hussein apparently did, too. In extemporaneous remarks at the close of the opening session, King Hussein said with visible irritation that "Jordan was in the vanguard of those who sacrificed blood and lives" in the Arab cause. If Jordan's efforts to cooperate economically with Israel constitute "rushing in," the king said, then Egypt did the same thing 17 years ago when it became the first Arab country to make peace with Israel.

The U.S. Congress also intruded on the proceedings. Yasser Arafat, the PLO chairman, said Congress recent vote to require the moving of the U.S. Embassy from Tel Aviv to

Jerusalem by 1999 would "destroy" the peace process. Both Israel and the Palestinians claim Jerusalem as their natural capital.

Mr. Arafat devoted much of his speech to pleas for economic and development assistance to newly autonomous Palestinian areas in the West Bank and Gaza strip, a theme echoed by the Israeli President, Yitzhak Rabin, who listed "the economy and quality of life" as the region's main priorities.

AMERICAN TOPICS

Civil Liberties Union Finds Times Are Tough

These are difficult times for the American Civil Liberties Union. In its 75th anniversary year, the leading U.S. civil liberties group faces a conservative political climate that is forcing it to refight battles it fought years ago.

It swims against the tide in opposing plans to crack down on hateful computer speech, amend the Bill of Rights to allow school prayers and broaden

police power in response to the Oklahoma City bombing.

"Here we are, actors in a rerun, with all the rights won in previous decades threatened again," the ACLU said in its most recent annual report.

The ACLU has its champions — people who say the price of liberty is eternal vigilance. But its critics say the ACLU is increasingly irrelevant or trigger-happy in defense of the U.S. Constitution.

Short Takes

The U.S. Naval Academy is considering a more stylish look for its female midshipmen. Women were first admitted 20 years ago. Senator Barbara A. Mikulski, Democrat of Maryland, says of the present outfit, "They're

modeled on 1940s airline stewardess uniforms." This fall, Annapolis had the largest entering class of women yet — 196, or 17 percent. Some of the women's long-standing complaints: White, cotton-polyester trousers reveal panty lines as well as the shirttails tucked inside. Caps with upturned brims make tall women stick out in a crowd. And straight cut, flat-front trousers seem to shorten the legs and widen the hips.

About People

In a twist on Halloween costumes, The New York Times Magazine is running pictures of writers dressed up as their favorite literary characters. Norman Mailer put a bandage over his left eye and stuck an ornate knife in

his belt to play Captain Ahab, from Herman Melville's "Moby Dick." Joyce Carol Oates dressed as Emily Dickinson and John Irving as Abel Magwitch, the convict in Charles Dickens's "Great Expectations."

In 1984, right after Ronald Reagan's re-election, the "Doonesbury" cartoonist Garry Trudeau had a character exclaim, "What if one day my kid wakes up in a country run by Newt Gingrich?" At the time, Mr. Gingrich was an obscure congressman. Ten years later, he became speaker of the House, and to many commentators, the most powerful man in the country. Mr. Trudeau claims no powers as a clairvoyant. "I evoked his name strictly for comic effect," he told The New York Times. *International Herald Tribune.*

In Telephone Fiasco, a Canadian Joker Trumps the Queen

By Fred Barbash
Washington Post Service

LONDON — It's not nice to play a joke on the queen. And there was a time when anyone who tried would have gone straight to the Tower of London — or worse.

But no such fate awaits the smart-aleck Canadian disc jockey who posed as Canada's prime minister, Jean Chrétien, got Queen Elizabeth on the phone

Friday and, unbeknownst to her, broadcast their "private" conversation on the upcoming referendum on the sovereignty of Quebec or Radio CKN in Montreal.

It wasn't the finest hour for Buckingham Palace, which somehow let the fiasco happen. But it was a pretty good 17 minutes for her, considering the potential.

In a conversation, that went back and forth between French and English, the "prime minister" asked her to deliver a televised plea to the citizens of Quebec to vote against separation from Canada. With only a little hesitation, she agreed to do it. If he would fax her the text, she would read it, she said.

"I would like very much to help," she said. Palace officials discovered the call was a hoax when they telephoned Mr. Chrétien's office asking where the fax was. There was no fax.

The disc jockey, a young separatist named Pierre Brassard, has made his name with such hoaxes. His victims have included the actress Brigitte Bardot and, yes, Pope John Paul II — and he is considered a skilled mimic. He notified Buckingham Palace earlier to expect a call from Mr. Chrétien, and

when the palace tried to verify the call in advance, they could not reach top aides to Mr. Chrétien; instead, they got low-level aides who assumed it must be all right and told the palace so. So when the phone rang in London, the queen answered.

Here are a few excerpts from the broadcast exchange:

Queen: "Hello."
Mr. Brassard: "Oui, hello..."
Queen: "Ah, prime minister..."
Mr. Brassard: "Your majesty, I am really stressed out these days."

Queen: "I'm sure you are. ... We've been following it with great interest."

Mr. Brassard: "The Canadian political situation is very critical..."
Our latest polls are showing that the separatists are going to win the referendum on the independence of Quebec."

Queen: "Well, it sounds ... as though the referendum may go the wrong way."

Mr. Brassard: "But we still have some hope ... We deeply believe that should your majesty have the kindness to make a public intervention, we think that your word could give back to the citizens of Quebec the pride of being members of a united country."

Queen: "Um, I mean, I know I have said ... I have said whilst I have been in Canada ... I have tried to give the same message, um..."

Mr. Brassard: "So, do you think you can tell that on national television?"

After conferring briefly with an adviser — "What shall I say?" — she returned to the phone, saying "Do you think you could give me a text of what

you would like me to say?"

Mr. Brassard: "Sure, sure..."

Queen: "Could you fax me a text and I can get back to you this evening."

She did seem to grow a little suspicious when the "prime minister" suggested that she could edit the text as she pleased.

The British monarch generally reads whatever a Commonwealth prime minister tells her to read, exactly as written.

"You don't mind doing that?" she asked, somewhat incredulously.

"There's no problem," responded Mr. Brassard, who then went on to ask her about the "Halloween atmosphere" in England at the moment. "You are not going so far as to wear a costume?"

"No, no," she laughed.

White House Debated Lifting Sanctions on the Serbs

By Elaine Sciolino
New York Times Service

WASHINGTON — Days before Bosnian peace talks are to begin in Ohio, the Clinton administration became embroiled in a debate over a State Department proposal, ultimately rejected, to suspend most economic sanctions against Serbia as a way of encouraging progress in the talks, senior administration officials say.

Richard C. Holbrooke, the chief American negotiator on

Bosnia, recommended last

week that the United States press for a UN Security Council resolution to suspend most of the sanctions. But Madeleine K. Albright, the American representative to the United Nations, argued at the White House that such a move was unwise because President Slobodan Milosevic of Serbia had not yet made peace.

Moreover, Mrs. Albright contended, it would be logically impossible because other Security Council members needed to be consulted well in advance before the lifting of the sanctions would have been suspended for the duration of the peace talks, and would have been reimposed if the ne-

gotiations failed to bring a settlement, officials said.

According to a senior American official, Secretary of State Warren M. Christopher supported Mr. Holbrooke's recommendation, arguing that at times one must suspend punitive conditions as a bargaining chip.

Secretary of Defense William J. Perry expressed some discomfort with the proposal, but said he would defer to Mr. Holbrooke's judgment.

The sanctions would have been suspended for the duration of the peace talks, and would have been reimposed if the ne-

gotiations failed to bring a settlement, officials said.

Mr. Holbrooke finally withdrew the recommendation at a meeting of President Bill Clinton's national security advisers Friday because of the depth of opposition both in the administration and in the Bosnian government, senior officials said.

The recommendation did not reach Mr. Clinton, a senior official said.

■ Testing Bosnia Roads
The first buses rolled along a main road west out of Sarajevo

under UN escort Sunday but a bridge was not opened as a bridge was not opened as a sign of the painstakingly slow steps toward normality in the city, news agencies reported from Sarajevo.

The buses left Sarajevo as neighboring Croatia began choosing a new Parliament in elections in which thousands of ethnic Croats in Bosnia are allowed to vote under a Zagreb policy that has been assailed both by the Bosnian government and the Croatian opposition.

Meanwhile, talks stalled over the return to Zagreb of Eastern Slavonia, the last piece of Croatia still held by Serbs. Mediators, however, said the issue would be brought up during the negotiations toward a final settlement of the Balkan conflict that start Wednesday in Dayton, Ohio.

In addition, Croatian radio said Sunday that the historic port city of Dubrovnik came under artillery fire from Serbian positions in Bosnia, and the Bosnian Serbian Army reported fire from Croatian artillery in the area. (Reuters, AFP)

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INTERNATIONAL

Asians Condemn Latest Atom Test French Shrug Off Attacks

Compiled by Our Staff From Dispatchers

TOKYO — Japan summoned the French ambassador again to protest the new nuclear test in the Pacific, the third of the current series that France says will be its last before signing a comprehensive test ban treaty next year.

Other governments in the Pacific were preparing similar action as France shrugged off the objections that included those of some of their European neighbors.

Prime Minister Tomiichi Murayama of Japan said Friday's test was "very regrettable." He said, "We have protested several times. It is very regrettable."

For the Social Democratic Party, a protest was not enough. "We are asking the government to take strong measures, including recalling the Japanese ambassador to France," the party's secretary general, Wataru Kubo, was quoted by Kyodo news agency as saying. Another segment of the governing coalition, the New Party Sakigake, also urged the recall.

New Zealand will make a formal protest Monday when the Foreign Minister Don McKinnon calls in Ambassador Jacques Le Blanc.

In Australia, Prime Minister Paul Keating said, "France continues to seriously damage its international reputation by its actions in the face of world opinion."

The Philippines added its strong condemnation and said it would summon the French ambassador to express its outrage. President Fidel V. Ramos said the latest test "wilfully ignores worldwide condemnation."

"Few instances in history can rival the sheer arrogance, insensitivity and lack of concern of the French government," Foreign Secretary Domingo Siazon said in a statement.

South Korea conveyed its sense of "deep regret" over the test, which had the force of 60,000 tons of TNT.

The New Zealanders and Australians, in addition to blaming the French, are also preparing to confront Prime Minister John Major of Britain for condoning the French action.

Ralph Willis, Australia's treasurer and a senior cabinet minister, warned that Mr. Major could be isolated at the 52-nation Commonwealth meeting in New Zealand next week because of remarks he made on the French tests.

"I would think that Mr. Major would be totally out of line with most of the other nations in the Commonwealth, and certainly the host nation New Zealand, which has been very strongly against nuclear testing with us," Mr. Willis said.

In Britain, anti-nuclear protesters on Sunday draped banners on hedgerows leading to the prime minister's country residence, Chequers, in advance of the arrival of President Jacques Chirac of France for a two-day meeting.

For anti-nuclear activists, the trip was a chance to protest about both France's resumption of nuclear tests in the Pacific and the publicly supportive attitude of Britain's Conservative government.

Belgium, meanwhile, lent its voice to the chorus of criticism.

"The Belgian government notes with great regret the third French nuclear test in the Pacific," the Foreign Ministry said in a statement.

(AP, AP, Reuters)



British police watching a nuclear test near Prime Minister John Major's house in Chequers on Sunday, shortly before the arrival of France's president, Jacques Chirac.

Russia Bars Reformers From December Vote

Reuters

MOSCOW — The Central Electoral Commission on Sunday barred Russia's leading reformist party from the Dec. 17 parliamentary elections, dealing a severe blow to the democratic movement.

The commission ruled that the Yabloko grouping of a popular economist and politician, Grigory Yavlinsky, had violated the rules by dropping at least six candidates from its election list against their wish.

The commission rejected Yabloko's application for registration, making it the third group to be barred from the election. "We understand the degree of our responsibility," said Nikolai Ryabov, chairman of the commission. "We understand that a big electorate is lost but we must stand by the law."

Speaking at a commission meeting, Mr. Ryabov said he had warned Mr. Yavlinsky and asked him to fix the irregularities in the

documents but that the politician had ignored his warnings in a "high and mighty" manner.

Mr. Yavlinsky's personal popularity is one of the highest in the country and he is a likely candidate for the presidential election scheduled for 1996.

Opinion polls have regularly shown Yabloko far ahead of any other liberal group. The group may appeal in court but its chances seemed thin.

In Kobe, the Forgotten Few But City Has Been Revitalized After Quake

By Nicholas D. Kristof
New York Times Service

KOBE, Japan — Camping is one thing, but Akemi Honda has been living in a tent for more than nine months, and the view out front is not of a majestic mountain vista but a muddy school playground surrounded by buildings.

Mrs. Honda and her family were among the 300,000 refugees who lost their homes in the earthquake that shattered the port city of Kobe in January, killing 6,055 people.

In most respects, Kobe has made a stunning recovery, and it is possible in some areas to look around without seeing any signs of the quake. Yet while the refugee centers have closed and the port has reopened, Mrs. Honda and hundreds of other people are still stuck in lean-to tents.

"The government isn't helping us any more, and the volunteer workers have all gone home," said Mrs. Honda, 50, sitting in the "kitchen" area of her lean-to. Rain pattered on the awning overhead and dripped through in places, while her 29-year-old son lay snoozing on the floor.

Mrs. Honda said her apartment building was scheduled to be refurbished and made habitable by the end of the year, so she hopes to go home soon. Another family that lives with a dog in the same school, in a room that they commanded, has also found a new home, so the refugee population in the school will drop to just three families.

Compared with the initial devastation after the earthquake, the progress seems almost miraculous. Rail and subway service has been restored, the harbor is regaining its capacity and most of the rubble has been carted away.

To be sure, a leaning house occasionally topples over onto a road or a teetering shop collapses onto a sidewalk. But Kobe residents blithely walk around the obstruction.

The earthquake is estimated

to have caused \$10 billion in

damage, and it will be almost a

decade before Kobe is entirely

rebuilt. But officials assert that the city will then be better than ever, partly because planners have taken advantage of the catastrophe to widen roads a bit and add green spaces.

One tent resident, a middle-aged woman who would identify herself only as Mrs. Ari

"The government isn't helping us any more, and the volunteer workers have all gone home."

moto, offered a less enthusiastic assessment. She is still living with her family in a tiny blue tent in a schoolyard, and the living conditions seem to have taken a toll.

"Everything is a nuisance," Mrs. Arimoto said, but she added that she had no plans to leave. The authorities have offered her a temporary home, but it is an hour away.

"We can't live there," she

insisted. "How could we get to work?"

The government has built more than 25,000 temporary huts for homeless families, but hundreds of people remain in tents or school buildings because they complain that the temporary homes are inadequate.

Some spaces are opening up, in a morbid way, because death rates are high in the temporary homes.

Many of the occupants are elderly people who remain disoriented from the quake, and the local newspapers are full of reports of such people dying or even committing suicide.

Takeshi Nakane, 60, is a trading company employee who has lived in a tent on a strip of grass since the earthquake. He scraped together enough cash to put down a down payment on a \$165,000 prefabricated house that is going up on the site of his former home.

"We want to move in as soon as possible, probably in December," Mr. Nakane said, beaming. "It's already getting very cold at night here in the tent."

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Quebec's Destiny Hangs On Flock of 'Undecideds'

For Many Voters, Hopes Vie With Fears

By Charles Trueheart
Washington Post Service

L'AVENIR, Quebec — In this village an hour's drive from Montreal, a young man named Dany Labonte climbed down from his labors on a painting scaffold in the nave of the 91-year-old parish church and confessed that he still didn't know how he will vote Monday in the provincial referendum on secession from Canada.

"Too many questions in my mind," he said, shaking his head sheepishly.

But there is just one question on the ballot: "Do you agree that Quebec should become sovereign?" it begins, "after having made a formal offer to Canada for a new economic and political partnership?" The final polls of the campaign put the number of voters expected to vote "yes" slightly ahead of the "no" votes, but the intentions of large contingents of undecided Quebecers like Mr. Labonte remain a mystery.

René Gagné, a co-worker, edged over and gently punched his friend on the shoulder. "I'll convince him for the 'yes,'" Mr. Gagné said, explaining his separatist viewpoint: "We've had 50 years of this nonsense. It's like a business. It's the choice between having someone else run your enterprise, or deciding to run it yourself."

A moment later, the pastor turned up, in bluejeans and windbreaker. The Reverend Denis Lemire said he voted "no" the most recent time, in 1980, as did 60 percent of Quebec voters faced with a similar ballot proposal for "sovereignty" and association with Canada.

"This time I'm not so sure," said Father Lemire. He said he was skeptical of the "deceptions" of separatist leaders, promising an easy and cost-free transition to independence.

The separatists' "offer" of a European Union-style partnership with Canada has helped to mollify the concerns of many Quebecers, according to published polling and analyses. But the fact remains that the English-speaking Canadian majority outside Quebec rejects any concessions to, deals with or special status for Quebec—but alone a place, equal to equal, at a negotiating table.

Holding the local paper, the pastor said he'd been reading a

lot about the economic costs and political unknowns of declaring a republic on the northern border of the United States. But he said economic questions were not as important to his parishioners as ones of political destiny.

"People say they want to affirm themselves, they want to be put in charge," he said. He said he has no illusions regarding serious economic problems that face Quebec and Canada, united or separate. Even so, he liked something he heard from the separatist premier of Quebec, Jacques Parizeau: "Once we're sovereign, we won't be able to blame everything on the English."

In that brief exchange can be found the elements at play in Monday's photo-finish vote: inside or outside Canada; the imagined consequences of breaking up a peaceful industrial democracy and launching an in-choate nationalistic gamble; and the tug of collective memory. Quebec's long and often humiliating history at the hands of the English-speakers.

Three times since 1980, in the ardently separatist perspective, Quebecers have been spurred by English Canada: when Canada adopted a new constitution over Quebec's objections in 1982; when Canada rejected "distinct society" status for Quebec in the 1990 Meech Lake Accord; and when Canada turned down still another constitutional plan for Quebec in the Charlottetown Accord of 1992 — as Quebecers did too, because the deal that English Canadians thought too generous they thought too stingy.

Eyes may glaze over at Canada's unending struggle to bridge its infamous "two solitudes," but in Quebec these are not abstractions, and they are not forgotten.

Rhetoric may still touch a French-speaking Quebecer's heart, but when it does it runs up against a streak of caution and insecurity — born, perhaps, of the same historical experience of subjugation and continental isolation.

Banking on that, the unity campaign this year — until dramatic poll reversals three weeks ago — stressed the huge economic risks and financial sacrifices required to create a sovereign Quebec.

Until Mr. Chrétien's eleventh-hour promise to make "the changes that are needed," the unity side promised nothing but the status quo, treating a separatist victory as a "hypothetical" unworthy of much comment.

"It's not a question of money, it's about identity," said Valérie Andréa Authier, who helps her family run an inn on the St. Lawrence River 100 miles downstream from Quebec City.

"I'm young; I'm not yet 30. And I'm ready to roll up my sleeves and work for my country and make that happen. If it costs me more at the end of the year, well, I'll sign the checks."

The final poll of the campaign, released by Groupe Legault et Léger, shows 48.8 percent voting "yes" and 41.4 percent "no." But 8 percent refused to answer and nearly 4 percent said they were undecided, yielding an adjusted picture of Quebecers divided precisely down the middle.

QUEBEC: Two Visions to Compete at the Polls

Continued from Page 1

international economics and finance say there is no way to be sure which independent Quebec is the real one.

"Very, very, very messy," was how Lloyd Atkinson, investment adviser to MTA Investment Counsel in Toronto, described the possible process of nation-creation.

By nearly any measure, the land that may be embarking on this adventure is economically ready for the 21st century.

Canada's largest province geographically is also one of its most dynamic foreign-traders.

Its \$30 billion in exports last year (more than 80 percent of them to the United States) were 21 percent more than the year before.

Although Quebec's unemployment is a bit higher than the Canadian average, jobs were created faster in Quebec than they were in Canada as a whole in 1994. Quebec is home to such successful corporations as Bombardier Inc., maker of snowmobiles, transit cars and private aircraft, and Northern Telecom, one of the best-known telecommunications equipment firms in the world.

In part, Quebec's progress has been achieved at taxpayers' expense.

The province has spent heavily on social welfare and on such quasi-governmental enterprises as Hydro-Québec, the massive hydroelectric project near James Bay in northern Quebec. As a result, Quebec is one of Canada's most indebted provinces.

It is there that the debate over which Quebec will prevail, the prosperous version or the bankrupt one, usually begins.

If Quebec is to leave Canada, the thinking goes, it must take its obligations with it. Among them, its share of Canada's \$400-billion national debt.

The separatist leaders of Quebec, Premier Jacques Parizeau and the chief negotiator, Lucien Bouchard, have promised that Quebec will indeed shoulder its burden on top of its own provincial debt.

How exactly the debt would be assessed and divided, however, is likely to dominate endless negotiations if Quebec votes "yes" and moves to separate.

Many English-Canadian economists believe Quebec

should be allocated 25 percent of the debt, in keeping with its share of Canada's population. Separatist leaders say the correct figure is smaller, perhaps 19 percent.

With that debt, of course, would come more resources: Quebec could keep the roughly \$20 billion in taxes its citizens now pay to Ottawa, the federal capital, each year.

The separatists say the elimination of duplication and overlapping levels of government will save about \$2 billion, thus freeing up money to make payments on the debt. But they also promise to hire all of the roughly 33,000 Quebecers who now work for the federal government.

In addition, by most measures Quebec receives more in federal benefits than it pays in taxes; that subsidy must be made up or reduced after independence. Not to mention federal old-age pensions, which at some point would have to be assumed by the new nation.

"There will be a fiscal crisis in Quebec if it attempts separation. The numbers just do not add up," wrote Marcel Cote and David Johnston in their book "If Quebec Goes: The Real Cost of Separation."

POWELL: Republican Bid?

Continued from Page 1

counsel publicly, but in canceling a speaking engagement scheduled early next month at Missouri Western State College he told the school's president he needed to free up time to consider "the most momentous decision of my life."

The entry of Mr. Powell, a former chairman of the Joint Chiefs of Staff and the first black in history to hold the position, would have a serious chance at winning the presidency, would drastically alter the playing field for the 1996 campaign.

Most polls have shown Mr. Powell with greater strength than either President Bill Clinton or Mr. Dole of Kansas.

Despite all the campaigning that Mr. Dole and others have done, a new nationwide poll by The Wirthlin Group, headed by Richard Wirthlin, a veteran of the Reagan presidency, shows that the 1996 race remains wide open. Almost half of the voters still have no opinion about the candidates of either party.

■ Powell Scores in Poll

If Colin Powell entered the Republican presidential race he would cut deeply into Senator Bob Dole's support and could become the immediate frontrunner, according to a new national poll. The Associated Press reported from Washington.

And if he won the nomination, Mr. Powell would be favored over President Clinton by 50 percent of those polled, with 38 percent preferring Mr. Clinton, the CBS News-New York Times poll found.

In a Republican primary race against Mr. Dole, the front-runner, and the eight other prominent Republican candidates, Mr. Powell would earn 34 percent support to lead the field, the poll said.

Leeson Says He'll Return To Singapore

Reuters

SINGAPORE — Nicholas Leeson, the trader who allegedly brought down Barings Bank of England, has decided to return voluntarily to face charges in Singapore and drop his fight in Frankfurt against extradition, a statement released by his lawyer said Monday.

John Koh, Mr. Leeson's lawyer in Singapore, said that his client "will instruct his German lawyers to inform Bonn that he will be coming back to Singapore and will not be filing an appeal." Mr. Leeson faced a Nov. 3 deadline for an appeal.

And in a written statement, Mr. Koh quoted Mr. Leeson as saying: "After consulting my legal advisers, I am satisfied that I will be fairly tried and judged in Singapore. I wish to apologize to all Singaporeans for having doubted that I could receive a fair trial."

Mr. Leeson, 28, last October faces trial in Singapore on 11 charges related to the collapse of Barings Bank in February under the weight of some \$1.4 billion in futures trading losses.

The plaintiffs say many hemophiliacs might have been saved had the government acted more quickly. Use of untreated products increased in 1983, when the government began al-

ATROCITIES: New Evidence

Continued from Page 1

the men are still missing, while the Bosnian government contends that at least 10,000 of them were killed.

In a rare departure from the secrecy that normally surrounds a continuing intelligence-gathering operation, senior U.S. officials and intelligence analysts agreed to discuss their own investigation into the fall of Srebrenica. Interviews with them and with Western European diplomats make it possible to reconstruct in detail how the United States government and its allies responded to a turning point in the Bosnian civil war.

American intelligence agencies began observing a Bosnian Serb buildup around Srebrenica in late June. There were reports that General Ratko Mladic, the Bosnian Serb commander, was furious about a series of raids by Serb-based Muslim troops on Serb villages, and that he wanted to teach the Bosnian government a lesson. U.S. intelligence analysts concluded, however, that the Serb aim was to "neutralize" the enclave rather than to take it over all together.

As the Bosnian Serbs spearheaded by Yugoslav Army tanks, advanced to within a mile or two of the center of Srebrenica in early July, there was a fury of consultations among Western capitals over the possibility of defending the enclave.

On July 9, the Dutch defense minister gave a bleak assessment of the situation to the U.S. ambassador in the Hague. He said the Dutch peacekeepers were "surrounded, outnumbered, and afraid of further actions" by the Bosnian Serbs. Mr. Voordeweld described the city as "indefensible," although he still felt that the Serbs probably would not attempt to overrun it entirely.

According to the Dutch defense Ministry, on the evening of July 10, the local garrison of Dutch peacekeepers requested large-scale NATO airstrikes. They expected NATO warplanes to begin attacking Serbian positions early the following morning. But the raids were delayed until the afternoon, and they succeeded in neutralizing two tanks at most. At 6 P.M., according to a U.S. diplomatic cable, the Dutch Defense Ministry conceded that the enclave had fallen.

U.S. officials immediately braced for possible horrors to come. "After Srebrenica fell, everybody said atrocities were going to happen," a senior U.S. intelligence official said.

A day after the fall of the town, according to U.S. officials and refugee accounts, Serbian forces herded at least 600 Muslim men from the city into a soccer field in the village of Nova Kasaba, northwest of Srebrenica. As they huddled in a circle surrounded by guards, a U.S. reconnaissance satellite snapped a grim, shocking photo of the group.

The men were subsequently taken from the site to two nearby fields, lined up and machine-gunned.

The Serbs buried the bodies in mass graves and bulldozed the entire area.

A similar group of at least 400 men in the village of Sancic was also photographed by a satellite, shortly before they, too, were trucked away and killed in moonlight on a nearby field. Those photographs were not released to the public.

The massacres occurred when 12,000 Muslim men of military age, most of them unarmed, tried to flee 95 kilometers (60 miles) through the countryside to government-controlled territory.

Fewer than half completed the trip; nearly all the others were butchered by Bosnian Serb troops, according to accounts from witnesses and human rights groups. The Red Cross estimates that 8,000 of them died en route.

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Fewer than half completed the trip; nearly all the others were butchered by Bosnian Serb troops, according to accounts from witnesses and human rights groups. The Red Cross estimates that 8,000 of them died en route.

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Six Die as Truck-Bomb Explodes in Algeria

Algerians inspecting the wreckage of a five-story building in Roubaia, 15 kilometers (9 miles) west of Algiers, after a booby-trapped truck exploded on Sunday, killing at least six and wounding nearly 100. A nearby police station, evidently the target of the attack, was destroyed in the blast, which left a crater 20 meters wide. No group claimed responsibility for the attack.

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Herald Tribune

IRISH

CAREERS

Wellesley Graduates Have a Way of Shattering the Glass Ceiling

By Judith H. Dobrzynski
New York Times Service

Detroit and cars, Hollywood and films, Silicon Valley and chips. It is hard to think of one without the other. Here is another link in the business landscape: Wellesley, Massachusetts, the home of Wellesley College, is synonymous with top-level executive women.

More than any other college — large or small — Wellesley has groomed women who shatter the glass ceiling. Wellesley women take up far more seats in executive suites and corporate boardrooms than their numbers suggest they should have.

They are overrepresented, too, at such places as the Harvard business school, a fountainhead for occupants of America's corner offices.

To cite just a few of Wellesley's major achievers, there is Lois D. Juliber, '71, president of Colgate North America; Ellen R. Marram, '68, president of Seagram Beverage Group; Shirley Young, '55, a vice

president of General Motors Corp., and Marion O. Sandler, '52, co-chief executive of Golden West Financial Corp.

Influencing business policy, there is Alicia Munnell, '64, a top Treasury Department official recently nominated to the Council of Economic Advisors. And of course there's Hillary Rodham Clinton, '69, the once and future corporate lawyer and director.

Just how does Wellesley, a school of only 2,200 students, do it?

This good fortune was not planned, college officials said. In addition to bright students, Wellesley's outstanding record stems from a strong, popular economics department; a dynamic professor, Carolyn Shaw Bell, who taught at the college from 1950 to 1989; and programs that encourage networking among alumnae and between alumnae and students.

Wellesley, in fact, could be an inspiration to other colleges that want to help their graduates go where few women have gone before: into the business world's upper

echelons. Evidence for the Wellesley edge abounds, starting with the number of companies that look to Wellesley for executive women.

In 1994, 75 companies recruited at its leafy campus west of Boston, far exceeding the number at similar-sized elite colleges like Smith and Amherst.

Some executive recruiters say they sense that Wellesley women know how to succeed in business. "I have always felt this was true, and I've always said I want my two daughters to go to Wellesley," said Julie Daum of Spencer Stuart, an executive search firm.

Success, of course, breeds success. "There's a self-reinforcing mechanism at work in terms of student selection and faculty recruitment," said Victor Fuchs, an economist at Stanford University who wrote "Women's Quest for Economic Equality."

Indeed, many Wellesley women are now feeding the pipeline that leads to the executive office. All told, about a third of Wellesley's graduates go into the business

world, more than any other career. As an all-female school, Wellesley starts with an edge. Numerous studies show that graduates of women's colleges, compared with women graduates of coeducational institutions, develop higher levels of self-esteem and do better in their careers.

But when it comes to business, Wellesley still outdoes its rivals — a thought that raises hackles among some of them. "When you look around at the Seven Sisters, I think you'll find similar results," said Barbara Reinhold, director of the career development office at Smith.

True, of those elite traditionally women's colleges, Vassar can claim Geraldine Laybourne, president of the Nickelodeon network, while Smith can boast of Rochelle B. Lazarus, president of Ogilvy & Mather North America, and Laura D'Andrea Tyson, director of the White House's National Economic Council. Columbia's Barnard College has Phyllis Gramm, chief executive of the Putnam Publishing Group.

Yet none of these colleges — nor any other college or university — has produced proportionately as many corporate women in high positions as Wellesley. Neither Smith nor Barnard nor Radcliffe produced a list that matched Wellesley's.

Wellesley's president, Diana Walsh, cannot explain precisely how Wellesley came to produce graduates who ascend to jobs like senior vice president of the Federal Reserve Bank of New York (Margaret Yeo, '64) and executive vice president of Bloomingdale's (Christine Miller, '66).

Ms. Walsh cited the school's past as the key ingredient. "Wellesley has a history of women's rights, a culture of women struggling to succeed in a man's world," she said.

Many graduates agreed that Wellesley's culture influenced them mightily. Many also credited the grounding they got at Wellesley's economics department, which was recently ranked No. 2 (according to the traditional standard, published citations of its members' academic work), behind Williams, among the liberal arts colleges in

a study by Michael Robinson of Mount Holyoke College. Ms. Bell has retired, but the department still has widely respected teachers like Marshall Goldman.

Wellesley also tries to expose students to the business world. Ten years ago, it started a program called "Wall Street Warm-Up." It takes 20 to 30 students a year to Manhattan, stationing each with a Wellesley graduate in a brokerage or bank.

Whether it is for their first job or years later, Wellesley graduates use these contacts. Some networking is formal, through the Business Leadership Council, which began as a forum for busy graduates to help the school, but quickly became a place where members compared notes about work.

But much more of this power-networking is informal, a matter of keeping in touch.

No wonder, then, that Wellesley graduates keep turning up in corporate circles. Because few colleges have picked up on Wellesley's bottom-line success, Wellesley may well remain a mother lode of executive women for a while to come.

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For Peace in Bosnia

Savage War Crimes

With the next round of Bosnian peace talks just days away, the question of accountability and punishment for the war's savage crimes must not be forgotten. Reconciliation in Bosnia does not mean that the atrocities there should go unpunished. The latest accounts of mass killings in Srebrenica in July, Europe's worst massacre since World War II, are a horrifying reminder of the ethnic slaughter that has marked this war.

The systematic Serbian killing of Muslim men after the fall of Srebrenica was barbaric, but it was hardly an isolated case of ethnic violence. Bosnian Serbs have been by far the worst offenders, but Croatian military forces have recently carried out their own version of "ethnic cleansing," and rogue units of the Muslim-led army have also committed war crimes.

The best immediate prospect for ending the violence and preventing future massacres is the U.S.-led peace talks, which resume this week with some expectation that they can produce a political settlement. Getting 60,000 or so well-armed NATO peacekeepers into position in all parts of Bosnia to monitor a peace agreement would provide the country's civilians with their first reliable protection in three and a half years of remorseless killing.

Beyond that, the International War Crimes Tribunal for the former Yugoslavia, which has already indicted 42 Bosnian and Croatian Serb soldiers and officials and one Bosnian Croat, can offer a measure of accountability and deterrence, even if those indicted cannot immediately be brought to justice. The trials will hold no trials in absentia, but

prosecutors may decide to hold a public proceeding, with witnesses, to confirm the evidence. If Bosnians are going to live together again in peace, with ethnic groups compelled to coexist within and across new partition lines, the rule of law must be re-established and made credible.

Those already indicted include Radovan Karadzic, the Bosnian Serb political leader, and General Ratko Mladić, the military commander, both accused of crimes against humanity and genocide, as well as lower-level officials directly associated with torture, murder and other atrocities. The tribunal must also investigate more recent atrocities in Srebrenica, Krajina and the Banja Luka area, as well as any future incidents of this nature, and prosecute those responsible. Two relatively low-level indicted defendants are in custody and their cases are being readied for trial. The others are now subject to international arrest warrants and pursued by Interpol.

In theory at least, a member state of the United Nations is obliged to turn over these individuals for trial in its territory. In practice, Serbia and the Bosnian Serb portion of Bosnia may well provide sanctuary for wanted Serbs, with Croatia possibly shielding indicted Croats. But either country subjects itself to continued international sanctions and other diplomatic pressures should it defy the tribunal. There are no statutes of limitations governing war crimes. The arrest warrants will remain in effect as long as necessary. The men who bled and tortured Bosnia are answerable for their crimes. Their responsibility must not be negotiated away during the peace talks, or their cases forgotten if peace finally comes to Bosnia.

—THE NEW YORK TIMES.

America's Role

The stunning thing about Bosnia now is that even as the parties approach the peace table the mass murders go on. Once again the most conspicuous perpetrators are found among the Bosnian Serbs. Their record at places like Srebrenica lends credibility to reports of fresh corpses and to fears for the lives of additional thousands of detained Muslims. The Serbian president, Slobodan Milošević, and lesser Bosnian Serb leaders promise to admit human rights observers and journalists to the area where these boys and men were detained. This is urgent business. The top Bosnian Serbs, Radovan Karadzic and Ratko Mladić, have already been indicted for war crimes and excluded from the international circle trying to bring peace. These men confirm their own irrelevance and strengthen the case for their prosecution by presiding over further horrors. Their departure from power is the necessary first condition for the rehabilitation of the Bosnian Serb people.

Mr. Milošević has his own powerful reason to use his full influence to get rid of them. No one did more to precipitate the larger Yugoslav tragedy than he, and he badly needs to firm up the credentials he has more recently sought as a peacemaker. The whole American rationale for

dealing with this political work-in-progress is his capacity now to help bring peace and save lives.

The continued killings in northwest Bosnia are terrible in themselves and add a sense that slaughter and reprisal are not necessarily going to end neatly even if a settlement is soon achieved. The resulting uneasiness feeds public and congressional reservations about dispatching American soldiers to help keep a Bosnian "peace." Alternatively, it is suggested that a peace that was in fact safe enough to send American troops to keep would not require their keeping.

The Clinton administration has a pretty good answer. It promises not to send in troops until a stable political settlement is in place. A Congress with a Republican majority and plenty of leery Democrats is in a strong position to police that pledge and to make President Bill Clinton pay if he goes back on it.

As for why Americans would be needed at all in a stable environment: At this late point in the quest for peace, it should be obvious that American encouragement is central both to European participation and to Bosnian confidence. To come all this distance and leave the Bosnian peoples face to face with each other is to invite them to lose their nerve and revert to the ways of war. It is the very opposite of American leadership.

—THE WASHINGTON POST.

Justice on Okinawa

The rape of a 12-year-old schoolgirl in Okinawa, allegedly by three American servicemen, has stoked opposition to the presence of the 47,000 American troops stationed throughout Japan. The Clinton administration has made an excellent start in assuring the Japanese that justice will be served, but more steps are needed to ensure that the furor over this one ugly episode does not jeopardize the American security relationship with Japan. President Bill Clinton should find time on his trip to Japan next month to demonstrate sensitivity to local concerns and reiterate the rationale for keeping American forces based there.

Despite the end of the Cold War, American troops are needed in Japan. North Korea remains one of the world's gravest security threats, and American forces assure others in Asia and many Japanese themselves that the Tokyo government will not feel the need to rearm. Japan helps pay for the troop presence with \$5 billion a year in subsidies. But the people of Okinawa, whom most American troops in Japan are stationed, had grown uneasy well before the latest episode. They voted repeatedly in recent years for a governor who promised to evict the Americans.

Many Okinawans, as well as other Japanese, were disturbed that the servicemen accused of the rape were initially kept in U.S. custody during the

investigation, pending formal charges. The Pentagon follows a similar system in most countries where American forces are stationed, and the United States has an obligation to protect the rights of accused Americans in countries where civil liberties may not be adequately protected. In the case of Japan, however, the administration was right to agree recently to hand over the three men rather than wait until they are formally charged.

The United States need not apply this standard everywhere. South Korea is pressing to take custody of rape suspects before they are charged. Before the United States agrees, it must be satisfied that South Korea no longer condones the brutal interrogation of suspects. Even many NATO countries allow the United States to maintain custody of accused military personnel until conviction.

Other steps can be taken to assuage the Okinawans and Japanese. Washington should consider consolidating American forces, perhaps easing the concentration on Okinawa. There might be ways to give Okinawa control over the Naha port and local airports. American military behavior in Japan has generally been good since the occupation in 1945. It would be a mistake to let instances of criminal behavior undercut the common Japanese and American objectives of preserving the peace in East Asia.

—THE NEW YORK TIMES.

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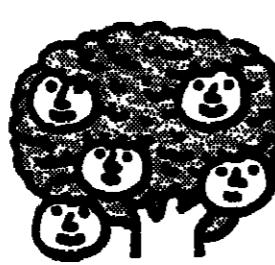
BOOKS

WHAT THEY'RE READING

• Barry Lando, "60 Minutes" producer, is reading "From Generation to Generation: How to Trace Your Jewish Genealogy and Personal History" by Arthur Kurzweil.

"I am currently tracing my family tree back hundreds of years and am enjoying reading about someone else's experiences in finding their roots throughout Jewish history."

(Nancy Tarragione, IHT)



THE HUNDRED SECRET SENSES

By Amy Tan. 358 pages. \$24.95. Putnam.

Reviewed by Francine Prose

READING "The Hundred Secret Senses," fans of "The Joy Luck Club" and "The Kitchen God's Wife" will have the pleasurable sensation of settling down to hear a favorite storyteller tell a brand-new story with reassuring echoes of narratives they have already come to love.

Amy Tan's third novel contains many of the themes and fictional elements that we associate with her work. Ghosts and dreams issue warnings, make requests and give advice, while the panorama of Chinese history, legend and mythology is used as a backdrop against which Tan's characters play out complex and painful dramas of contemporary Chinese American domestic life.

Olivia Yee Bishop, the novel's heroine, is a professional photographer in her late 30s, the daughter of a Chinese father and a warmhearted but distractible American mother. Olivia, who lives in San Francisco, is going through what's commonly called a messy divorce from Simon, her half-Hawaiian husband, a man who has never quite given up his attachment to Elza, a lover who died before he met Olivia.

Indeed, an unhealthy passion for ghosts seems to run in Olivia's family. Olivia herself sees spirits at crucial points in the plot. And her half-sister, Kwan, communes with the departed — a talent that her American relatives have misidentified as a form of mental illness.

Kwan's ability to recall past lives and slip back and forth between the realms of the living and the dead enables Tan to introduce a secondary narrative into the larger novel: the story of Kwan's previous life among American missionaries in China during the second half of the 19th century.

Just before their marriage ends in a dismal swamp of familiarity and fatigue, Olivia and Simon decide to go to China to write an article for a travel magazine.

They are already separated when the magazine approves their proposal, and Kwan, whose refusal to accept the inevitability of divorce causes her to function as a sort of matchmaker, after-the-fact pressures the couple into going anyhow, with Kwan as a loopy tour guide on a journey back to her

origins. The peregrinations of this peculiar trio constitute the book's final section and provide a suspenseful and climactic resolution.

One hardly needs to point out that Amy Tan is an immensely talented writer, and this novel reminds us of her gift for compressed and interpolated narrative, her intelligence and wit. Olivia's mother's serial romances with an array of exotic men are particularly amusing.

But at moments "The Hundred Secret Senses" seems, like Kwan, slightly unmoored and impaired. Aspects of the novel are undeveloped. Minor characters are only lightly sketched in, for example, Kwan's husband, though the reader may wonder what kind of man would marry a woman who cohabits so closely with the dead.

What's more problematic is that the two central characters are, for all their extravagancies, not very interesting. Though Kwan's account of her time among the missionaries is articulate enough, her English is limited to a baby talk that the novel transcribes at taxing length and that readers may find themselves skimming over.

"My hair sooo bea-you-tiful, shiny-smooth like waterfall, slippery-cool like swimming pool. Now look. All that shock treatment, like got me bad home permanent."

Meanwhile, Olivia's insights suggest the sort of pop psychology more appropriate to slick magazines than to serious fiction: "And then I think about Kwan, how misplaced her love for me is. I never go out of my way to do anything for her unless it's motivated by emotional coercion on her part and guilt on mine. . . . I never take any pleasure in simply being nice to her."

In the past, Tan has written with impressive lyricism, precision and energy. But here, too often, her language lapses into cliché, inexact metaphors and similes ("We listened patiently to Lester, words skinning out of his mouth like cartoon dogs on fresh-waxed linoleum, frantically going nowhere").

She can tell a story, and does so with such skill that many readers will not notice or mind this novel's flaws. But it's dismaying to watch a writer with Tan's gifts writing what is, for her, the equivalent of Kwan's raw, unpolished rush of baby talk.

Francine Prose, author of the novel "Hunters and Gatherers," wrote this for The Washington Post.

BRIDGE

By Alan Truscott

IN the quarterfinal match of the Bermuda Bowl contest at the Marlboro World Championships, Chinese supporters watched as their young team played brilliantly against an experienced French squad.

The diagrammed deal produced the heartbreak for China, which was close to reaching world open semifinal for the first time. Both South players opened one no-trump, and in one room Philippe Cronier of France stretched his values by raising to game with the North hand. When the heart jack was led and ducked to his king, his partner, Michel Lebel, had only one chance. He led to the diamond queen, finessed the club jack, and emerged with 10 tricks when the finesse won and the suit divided 3-2. That was a success.

In the replay, the Chinese North raised just to no-trump and the bidding ended. When the heart jack was led to the king as before, the declarer had a different problem.

Playing in the same fashion as the French declarer would have made the contract and held the

loss to 6 imps. In that case, China would eventually have won the match by one imp and advanced to the Bermuda Bowl semifinal. But he was trying to make eight tricks, and led a spade. This was the right theoretical play, producing eight tricks whenever the hearts were divided 4-3. If they had been an exact tie, the French East quickly took six tricks to defeat the contract, and France gained 10 imps.

NORTH
♦ Q J 6
♦ 8 5 3
♦ Q 2
♦ K 8 5 5 3

WEST
♦ 7 5 4 3
♦ J 1 0
♦ 8 7 6 5 4
♦ 1 0 9

EAST
♦ A K 8
♦ K 7 6
♦ A Q 9 4 2
♦ 9 3

SOUTH
♦ 1 0 8 2
♦ K 7 6
♦ A K J 1 0
♦ A J 2

Neither side was vulnerable. The bidding:
South: 1 N.T.
West: Pass
North: 3 N.T.
East: Pass

West led the heart jack.

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A Checkup for Foreign Drug Firms

By Christopher Drew
New York Times Service

WASHINGTON — As the American medical system rushes to control costs, imports of discount drugs and their ingredients are rising. That is causing concern about how well foreign manufacturers meet U.S. standards aimed at preventing toxic contamination and poor quality.

Over the past three years, the Food and Drug Administration has doubled the number of its inspections at foreign plants, and it has been rejecting or detaining more products.

In the past year alone, the agency has found serious manufacturing deficiencies, from contaminated water supplies to lax quality controls, in 35 percent of its overseas inspections and in countries as varied as Switzerland and China, compared with 19 percent a domestic plants.

But policing this far-flung trade is daunting, given the barriers of language and distance. Interviews and a review of dozens of agency documents raise questions about whether the agency, known as a tough regulator at home, will be able to keep defective drugs from slipping through.

Top FDA officials and other drug experts say they are con-

fident that nearly all imported products reaching consumers are safe and effective, and that there is little chance an individual will receive tainted drugs.

But concern is rising as pharmaceutical companies, under pressure to help control medical costs, increasingly look to lower-priced suppliers abroad.

More foreign pharmaceutical companies have begun to sell finished drugs in the huge U.S. market.

The safety concerns are "a legitimate worry," said William F. Haddad, chairman of Mir Pharmaceutical Inc. in Brewster, New York, and the head of the international committee of the Generic Pharmaceutical Industry Association.

"I'm not so sure FDA has the manpower. The trade is expanding quicker than their ability to respond to it."

Ronald G. Chesemore, the FDA's associate commissioner for regulatory affairs, said top agency officials thought that "we've done a tremendous job of beefing up the foreign inspection program" and that American consumers remained safe.

The agency has increased the number of foreign companies inspected to 325 this year from 150 in the 1992 fiscal year, and it is training agents better and

increasing the length of the inspections, he said.

But James G. Phillips, a former special assistant to David Kessler, the FDA commissioner, who examined the program before he left the agency a year ago, said, "This thing is like a ticking time bomb that could explode at any time."

An episode at one Canadian plant illustrates the problems. In 1991, an anonymous warning arrived in the mail at the FDA's headquarters. Nearly typed, it came from a "ted-up employee" at Novopharm Ltd., a Canadian company that makes discount generic drugs.

The letter said raw batches of some of the company's products did not always "work the way they are supposed to."

The tipster also indicated that the company might have shipped bad products to the United States, including batches of a children's antibiotic that were too potent and could possibly destroy bacteria that might help, as well as those that might harm, an ill child.

The letter bounded around the FDA. When it finally sent inspectors to the plant 10 months later, they confirmed that some of the blending processes had once been, to use the words of an FDA memo, "out of control."

Mediobanca Buys 10.7% of Ferruzzi

Compiled by Our Staff From Dispatches

MILAN — Mediobanca SpA said during the weekend that it bought about 10.7 percent of Ferruzzi Finanziaria SpA last week after the holding company's planned merger with Gemina SpA collapsed.

The acquisition brings Mediobanca's holdings of Ferruzzi's outstanding shares up to 11.2 percent.

Mediobanca paid an average of 1,580 lire (99 cents) a share, or a total of about 250 billion lire (\$156 million) for the stake.

Vincenzo Maranghi, the bank's chief executive, said Saturday at the annual shareholders meeting.

Some shareholders groups also criticized the plan as an attempt to keep Italian business in the hands of a clique of old-line power brokers.

The project's failure fueled rumors that other bidders might want to take over Ferruzzi, which is controlled by a consortium of banks that saved the conglomerate and its agro-industrial concern Monedison SpA after big debts were found in 1993.

(Bloomberg, AP, Reuters)

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GREECE AND THE BALKANS

GREECE DISCOVERS WAYS TO HELP ITS NEIGHBORS

Prospect of peace raises hopes of mutual prosperity.

There was a time when Greeks refused to admit they were part of the Balkan world. They preferred to see themselves as belonging to the Mediterranean and to Europe. That was when Greece's Balkan neighbors were communist states and looked at Greece as the only obstacle to their access to the Mediterranean.

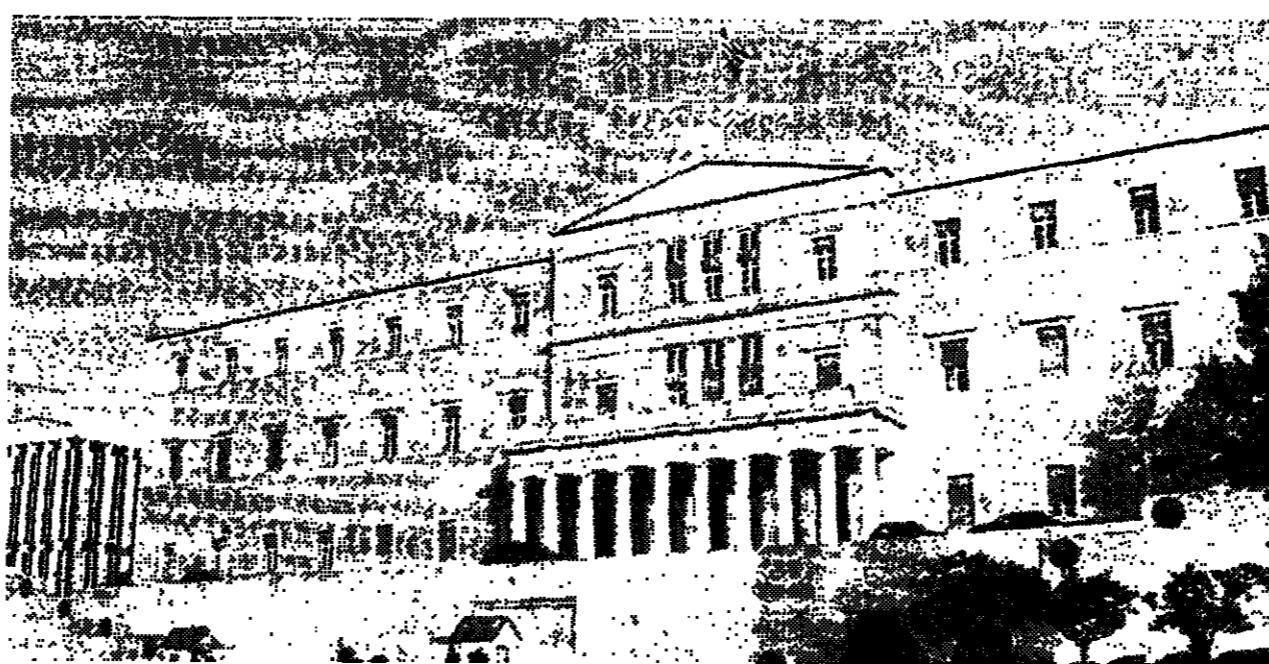
This is not so any longer. "We are a part of the Balkans just as much as we are part of Europe and of the Mediterranean world," says Giorgos Romaio, alternate minister of foreign affairs.

Mr. Romaio, who spent several years in Strasbourg as a member of the European Parliament, believes that Greece's double identity as a Balkan country and a member of the European Union allows it to interpret developments in the area in a more realistic manner than its European partners.

"We were accused of following the wrong policy when we kept our doors open to the Serbs," says Mr. Romaio. "People later recognized that we were right. By holding the door open to the Serbs, we contributed to the negotiations that resulted in a cease-fire and that we hope will lead to final peace."

Stepping stone
For Nikos Zachariadis, the Stanford-educated secretary general of the Ministry of National Economy, Greece's double identity allows it to play the role of a financial stepping stone between other Balkan countries and those seeking business with them. "With this double capacity, Greece can help draw a joint European policy for the Balkans and also serve as a channel for passing community funds to these countries," Mr. Zachariadis says.

A few months ago, plans for a European effort leading to the reconstruction of the economies of all Balkan countries would have sounded impractical, with bloody hostilities still going on in the former Yugoslavia. But thanks to the efforts of the United Nations, the contact group and representatives



The Greek Parliament, a symbol of democracy and stability at the crossroads of Europe.

of the U.S. State Department, a cease-fire has been established and the warring parties claim to be ready to discuss peace.

Once peace is stabilized, Mr. Romaio foresees the formation of a Balkan League as a conduit for reconstruction and a preparation of the area for participation in the European Union.

"The reconstruction of the former Yugoslav republics will attract most of our attention, but we cannot leave other Balkan countries outside such a plan," says Mr. Romaio. "Both politically and economically, these countries have a certain uniformity, and since it will take a long time before they can enter the European Union, the formation of a league could facilitate their course."

"We are constructing new arteries to connect our ports of Salónica, Kavala and Alexandroupolis with our northern borders," says Mr. Zachariadis. "We will also connect them with the new Egnatia Way, linking the Adriatic port of Igoumenitsa with the Black Sea."

National Economy Minister Yannos Papantoniou says that the Egnatia Way, a 670-kilometer highway, will be ready by 1999 at the cost of \$3.0 billion. Another road of 730 kilometers, connecting the port of Patras in Southern Greece with the border of the former Yugoslav Republic of Macedonia, is under way, with the European Union covering most of the \$2.6 billion cost of the first 300 kilometers. Greece is also modernizing its railway network, which connects the country with all its northern neighbors except Albania.

"To better use European programs and assist these countries to adapt to a free economic system, what is most needed is better telecommunications," says Mr. Zachariadis.

Taking risks

Mr. Zachariadis admits that Balkan countries are still a zone of high political and economic risk, but that does not prevent Greek businesspeople from spreading their activities there. This is evident in every field of economic activity. Between 1990 and 1994, Greek exports to other Balkan countries increased by 142 percent, while imports rose by 37 percent. During the same period, some 2,500 Greek enterprises have expanded their activities into these countries.

"They have invested \$200 million, and although only 100 are industrial enterprises, the overall picture shows the interest of Greek businessmen in the area," says Mr. Zachariadis. This interest has also resulted in the formation in Salónica of a Trans-Balkan Business Council, which later this year will hold a congress with the participation of seven business leaders from each Balkan country.

Greece has become a base for several international firms interested in the Balkans. Most of these companies established joint ventures with Greek businesspeople, whose Balkan know-how they have come to appreciate.

Last year Global Finance, a Venture Capital Management company, launched the Euromerchant Balkan Fund for equity investments in the Balkans, with the participation of the Euromerchant Bank and funds from international organizations, including 10 American pension funds. John Rigos

LEADERS CONFER

A major international conference on the future of the Balkans and its position in world trade has been convened by the International Herald Tribune and the American-Hellenic Chamber of Commerce. It is called "Balkan Summit Meeting: Political, Economic and Investment Outlook," and is taking place at the Atheneum Inter-Continental Hotel, Athens, on Oct. 30 and 31, 1995.

Attending are political and business leaders from all the countries of the region, and also from other nations of the European Union and from the United States. Subjects will include "Regional Dynamics and the Outlook for Stability," "New Economic and Investment Policies" and "Financing Trade and Investment in the Balkans," and workshops will be held on such subjects as information technology, transportation, construction, banking and energy.

"It is the first major international conference to look at the region as a whole," says Axel Krause, corporate editor of the International Herald Tribune, who will preside at many of the sessions. "Everyone will be considering the Balkans as the big new trading block."



BANK OF GREECE



GREEK MINT



INTERNATIONAL OLYMPIC COMMITTEE (IOC) CENTENNIAL OLYMPIC COIN PROGRAMME (1992-1996)

The IOC and five major National Mints came together to issue commemorative coins for the celebration of the Centennial of the Olympic Movement. The Bank of Greece with its Mint closes the unique five-year IOC coin series with one gold and two silver coins, and has selected classic designs that recall the ancient Olympic events. The obverse of the gold coin bears the image of "Doryphoros", a statue made by the sculptor Polycleitos, around 440 B.C.

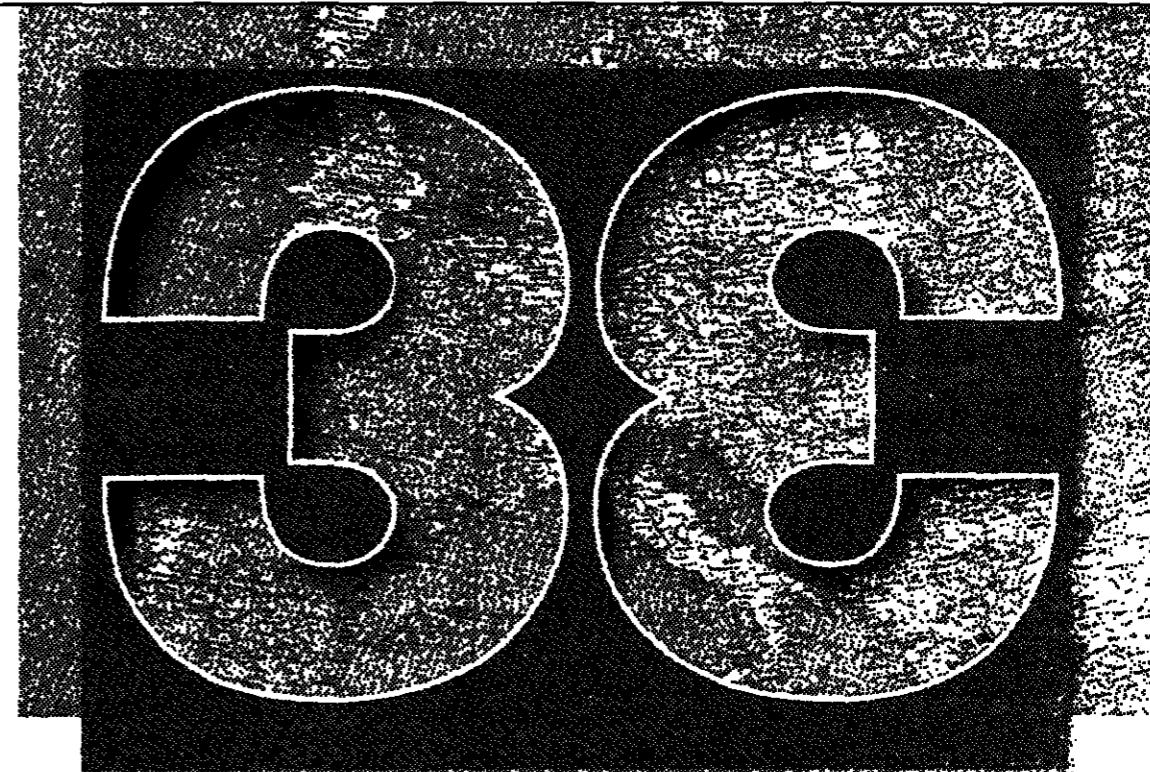
For the silver coins the Greek Mint has prepared two designs which were found on ancient terracotta pottery. The first design is of a group of runners and the second of two powerful wrestlers.

The coins have common reverse, showing the Athens Stadium, where the first modern Olympic Games were held in 1896, and the Acropolis, the symbol of Athens.

The National Mint of the Bank of Greece, fully modernized to the present needs, continues a long tradition in striking high quality coins, and the Greek Olympic coins will enhance numismatics around the world, because they combine the art and the ancient Greek Olympic ideal.

For further information, please contact:

Bank of Greece - Greek Mint - Numismatic Department - 341, Messogion Ave., Halandri, Athens (152 31) - Greece.
Tel.: 672 1034, 671 2322-4(127) - Fax: 672 5977.



Growth

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3E Broadening Horizons

II SPONSORED SECTION SPONSORED SECTION

GREECE AND THE BALKANS

BANKERS ACCEPT NEED TO CHANGE AND EXPAND

The challenge for Greek bankers comes from EU directives, as well as the new opportunities offered in the Balkans.

The Greek banking system is in a state of flux, but Greek banks are also booming and looking to expand, especially into the neighboring Balkans. Last year, net profits for some 27 Greek banks increased almost 400 percent over the year before, from \$107 million to \$500 million.

Radical changes have often come from attempts to comply with economic directives from Brussels that have the ultimate goal, according to John Manos, secretary-general of the Union

of Greek Banks, of European Monetary Union. Some dispute this goal, but "Greece has to respond to this challenge," according to Mr. Manos.

Economic deregulation and the influx of foreign banks into the country in the past few years — there are 33 Greek banks and 20 foreign banks operating in Greece — have also forced banks to modernize, move into specialized banking, offer new products and expand.

Mr. Manos believes that Greece can assist in the economic development of the Balkans, not only because of proximity and common traditions, but because Greece has the most developed economy in the area, extensive experience in small and medium-sized business, and connections to the European market.

There has already been an organized attempt on the part of Greek banks to extend their activity into the Balkans, with about 10 banks having opened branches in the capital cities.

Investment fund

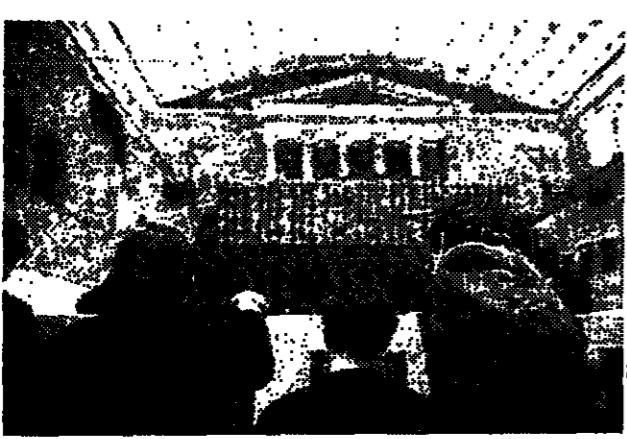
The EuroMerchant Balkan Fund was established last year as an investment company with committed capital of \$27.3 million. The fund's main objective is to participate in venture capital investments in Bulgaria and the Balkans in which the foreign partners will provide management expertise, contribute most of the share capital required and take into account that EBF has a "long-term but finite investment horizon."

According to EBF's Constantinos Adrianopoulos, in countries like the Balkans,

where a centrally planned economy is being converted to a market economy, venture capital is "a most appropriate form of financing." Venture capital absorbs part of the investment risk involved and offers support to its partners. Other sources of capital are scarce due to lack of financing structures for equity and debt.

The National Bank of Greece, the country's largest bank, with branches in 13 countries worldwide, actively supports efforts to bolster Greek business in the Balkans. It opened a branch in Sofia this year, and others in Bucharest and Tirana will soon follow.

The National Bank also recently announced construction plans for a Center for Culture and Economic Development in Salonika. Pat Hamilton



Moves to modernize the stock exchange have paid off.

TAKING STOCK

The average daily trading volume on the Athens Stock Exchange this year is about \$18.5 million, which is more than three times what it was in the late 1980s. Ten years ago, the view was widely held that the exchange was an inefficient, local market confined to government bonds and state bank shares, but moves to internationalize and modernize the institution have begun to pay off. The general opening toward the Balkans is accelerating the process.

John Marcopoulos, managing director of Sigma Securities, sees the easing of the dispute with the former Yugoslav Republic of Macedonia as a influential factor.

"Greece's lifting of the embargo and the overall rap-

rovement will have a positive influence on market sentiment, removing the cloud of concern about the normalization of relations between the two countries and stability in the area," he says. "The natural outcome will be a pickup in trade and significantly improved prospects for a wide range of Greek businesses." Greek entrepreneurs are closely watching a market of more than 50 million people surrounding Greece that will provide a positive outlook for the Greek economy.

A sign that the vibrancy and upward trend of the market is bound to continue has come in the government announcements that foresee the offer of 6 percent of the shares of the Greek Telecommunications Organization on the market. P.H.

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GREECE'S ROLE AS A CATALYST FOR DEVELOPMENT AND MODERNIZATION IN THE BALKANS

The Eastern Mediterranean has traditionally served as Greece's economic sphere, says Dimitris Daskalopoulos, the CEO of DELTA Dairies Industry. For a number of reasons, mostly political, this ceased to be so as of the end of the Second World War. Greeks were expelled from Egypt by Nasser, from Libya by Quadafi, from Turkey by Menteres. The border to the north was closed by communists. And Greece's lifeline inevitably rested to the West with Italy and the rest of Western Europe.

Now, with the breakdown of socialism, following the monumental events of 1989-1990, the borders north of Greece are wide open once again. The Black Sea, traditionally in the country's sea roots beckons. And Greece can again play the role that she so efficiently fulfilled in the 400-year period, from 1500 till the middle of the 20th century. And that role, according to Dimitris Daskalopoulos, is that of the catalyst for economic development and political modernization in the Balkans.

Greece is uniquely positioned to serve as the center for reform in the Balkan Peninsula, says Daskalopoulos. Politically, it is a stable democracy with western style institutions as well as a cultural tradition dating back to the 5th century B.C. Economically, it is the most advanced state in the Balkans having undergone a period of extremely rapid growth, second only to Japan's, from 1960 till 1972, and currently implementing an economic convergence plan in accordance to the Maastricht Treaty criteria. A plan which will hopefully take her into the European Monetary Union (EMU) by the end of the century, intones Daskalopoulos.

Yet Greece's most important comparative advantage probably lies in the fact that she is already a member of the European Union. She, thus, has the ability to act as a bridge between the advanced nations of Western Europe on the one hand and the now developing nations of the Balkans and Eastern Europe on the other. This, claims Dimitris Daskalopoulos, is probably the single most important challenge faced by Greece in the latter part of the dying century.

The issue is both political and economic, adds Daskalopoulos. Europe, in the form of the E.U., acts already as a counterweight to the other two main poles of the world economy; the USA and Japan. And, irrespective of the difficulties faced on the road to EMU, the E.U. and its prospects as laid out in the Maastricht Treaty, is the "only game in town". Given the importance of Europe, most countries on the continent want to join the Union, even though the costs — in terms of costs adjustment — may be enormous. The countries of the former Eastern Block are no exception. And they will press for the issue to be resolved as soon as possible. Within this framework, adds Daskalopoulos, Greece can serve as a "guide" to those Balkan countries which will seek entry into an enlarged E.U.

What form of a "guide"? Well, the issue is multifaceted, stresses Daskalopoulos. Take the case of DELTA. We were the first Greek company to proceed with a direct investment in Bulgaria in production and distribution. And we are the first Greek company to use our production and distribution facilities in that country as a basis for expansion in other Balkan countries like Romania, where we have formed a joint venture company, DELROM, for the distribution and sale of ice creams. The same logic has led us to expand into the Ukraine, with another joint venture company, DELTA UKRAINE, also in the ice cream business.

All of these actions have meant that capital and know-how have become available to these countries. The meaning of know-how, though, is quite extensive. It involves technological know-how, legal know-how, human resources know-how, marketing know-how. And on this basis, DELTA has been instrumental with respect to two main targets as seen from the point of view of the Balkan countries. First, it has contributed to the effort to increase production, employment and the standard of living. Secondly, it has helped in the long and difficult process of modernizing the countries with which it has business dealings.

How optimistic is Dimitris Daskalopoulos regarding future prospects in the Balkans? Again, the issue has many facets, he intones. In Bulgaria where DELTA operates two companies, DELVI-T and DELVI-P, for distribution and production of ice cream respectively, most of the initial difficulties have been resolved and the two companies are running along nicely. It took, though, a long time and patience to win the trust of the local partners and to solve all the legal and institutional problems associated with the novelty of a direct investment. Political stability is an advantage, of course, but the economy has still a long way to go, both on the micro and macro economic side. Thus, for example, the devaluation of the Bulgarian currency in 1994 meant lower repatriated profits for DELTA, as a mother company.

Similarly, in countries like the Ukraine, institutional difficulties remain paramount and have to be overcome if the expansion is going to be significant for both the companies involved and for the country as a whole.

As far as help from the Greek state is concerned, Daskalopoulos is adamant. We want no intervention, no well meaning business initiatives, no state plans. The Greek government should concentrate on two things only. First, to maintain good relations with all of our neighbors. The handling of the Skopje affairs, is an example not to be repeated. Secondly, it should provide for insurance against political risk. From then on, it is up to the companies to decide what they want to do, when to do it and how to do it. It is also the companies' obligation to accept the consequences of their failure, should it occur, without asking for government help, adds Daskalopoulos.

INTERNATIONAL HERALD TRIBUNE, MONDAY, OCTOBER 30, 1995

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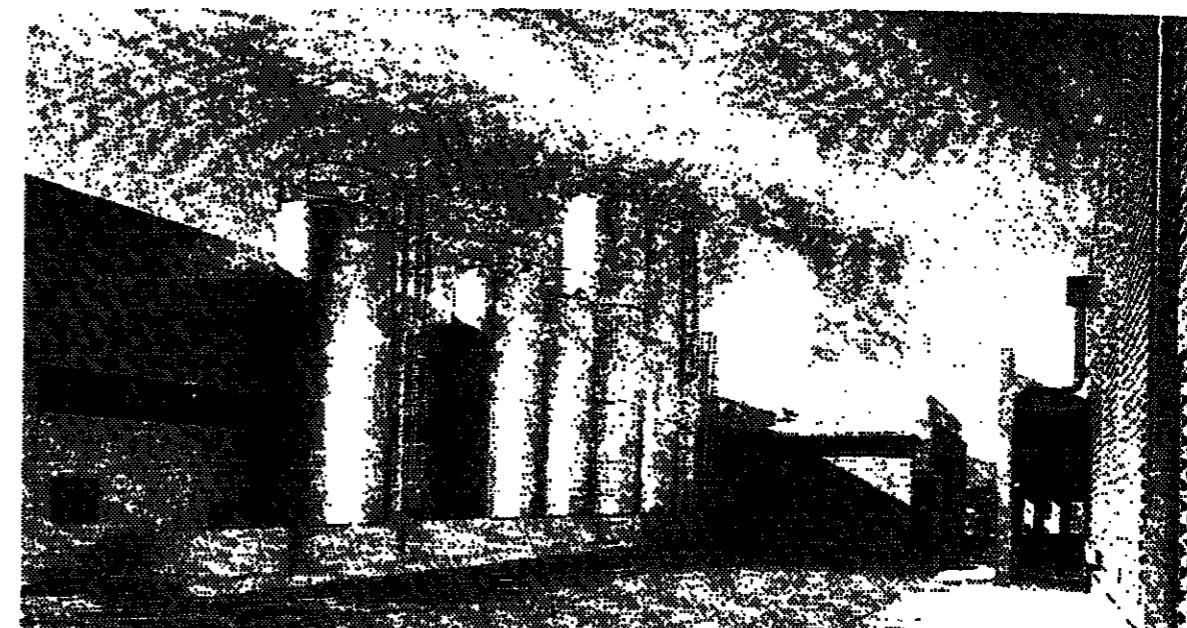
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GREECE AND THE BALKANS

SALONIKA DEVELOPS ITS ROLE AS GATEWAY TO THE BALKANS

Improved commercial links come at the same time as the city's election as cultural capital of Europe.

Salonika is in the spotlight, partly because of the preparations for its reign as 1997 cultural capital of Europe, but mostly because of its central role in the developing relations between Greece and the rest of the Balkans.

Capital of the Greek province of Macedonia and by extension of all of northern Greece, Salonika stands, historically and geographically, at a crossroads between Europe, the rest of the Balkans and Asia. In ancient times, the city was the commercial center of Greece, and its position on the Via Egnatia, the road built by the Romans to connect Rome with Constantinople, made it one of the most important cities of the Byzantine Empire.

Today a number of Euro-

pean Union-funded infrastructure projects – including a trans-Hellenic highway dubbed the Egnatia after the ancient road – are preparing the city for its key future role. Already Salonika is the Balkans' biggest exporting and importing port, and its ability to move goods is being further improved by new highways, railway lines and airports.

Underground railway
At a Cabinet meeting held earlier this month to review infrastructure problems, National Economy Minister Yiannis Papantoniou said that particular emphasis was being placed on the development of Macedonia and its eastern neighbor Thrace, with 25 percent of all funds destined for East Macedonia being earmarked for the de-

velopment of infrastructure. Two major projects for Salonika, the most populous city of northern Greece, with 1 million inhabitants, are an underground railway and a treatment plant to recycle municipal waste. Both have been discussed for some time but will now finally move ahead.

The economy of Central Macedonia is based on food processing and textiles. Population figures show that in recent years Macedonia has retained its population more effectively than other regions and that it has a more balanced population distribution than the country as a whole.

Characteristic of the dynamism of the region is the increase in employment figures. Between 1978 and 1988, for example, the number of people employed in the region in food processing rose by 24 percent, while the increase in employment for the country as a whole for the period was only 2 percent.

Help for investors
Salonika is in a position to play a principal role in helping European businesses to break into the Balkan mar-

ket. The Exporter's Directory of Northern Greece produced by the Salonika Chamber of Commerce lists some 1,200 exporting companies in Salonika, about half of which do most of their business in the Balkans.

Recent statistics from the EU Statistical Service illustrate the surge in business activity as these new markets begin to open up. Exports from Greece to Bulgaria have increased by 70 percent in the last year, and imports by 67 percent. Exports to Albania are up by 66 percent and imports have more than doubled; imports from Romania are up 47 percent.

Estimates for the reopened market in the former Yugoslavia are equally promising, with Greek exports before the 20 month embargo running at about \$140 billion a year. The Panhellenic Federation of Exporters is predicting that this figure will now rise to \$250 billion within three years.

Festival links
While Salonika emphasizes its role as an epicenter for commercial activities, the city operates as a Balkan center in other areas as well.

*In 1997 Salonika will become the cultural capital of Europe.*

The Dimitria Festival, which brings people to Salonika from all over the world every autumn to perform and lecture, is presenting in the last week of October the Sofia National Opera and Belgrade's Belgrade's Beltef Theater Company.

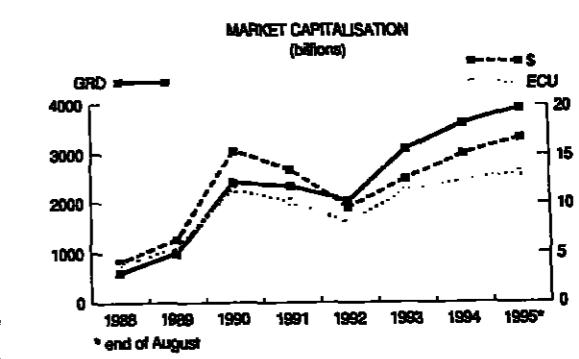
Consumer groups from Bulgaria, Romania, Albania and Greece met in Salonika earlier this month to establish a Balkan Consumer Center. Its purpose is to inform Balkan consumers on product quality and price and to protect consumers from misleading advertising.

The American Farm School, founded in the region in 1904 by missionary John Henry House, heads a three-year-old initiative called the Avatar Project, which trains future agribusiness managers for the emerging market economy of Albania. A manifestation of the American Farm School's historic role in offering a helping hand to the rural youth of the Balkans, the Avatar Project aims to provide the skilled manpower that will attract investors in agriculture-based joint ventures in Albania.

Pat Hamilton

ATHENS STOCK EXCHANGE: "THE NEW BALKAN MARKET"

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MINISTER SAYS GREECE IS RECOGNIZED AS A 'FACTOR OF STABILITY'

The policy of seeking a peaceful settlement through dialogue with all the parties concerned has been justified.

Aakis Tsochatzopoulos, minister of the interior, public administration and decentralization, discusses in an interview the basis of Greece's policy toward the other Balkan countries.

How do you see Greece's position in the Balkans today?

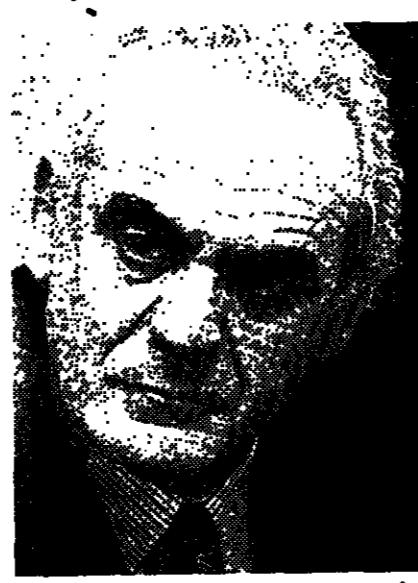
By expanding its relations and strengthening its ties with all the countries in the Balkans on social, economic and political levels, Greece has become recognized as a factor of stability in the area. On the other hand, the European Union has failed to demonstrate a decisive presence in the Balkans, contrary to what has happened in Central Europe, where its policy has led to concrete results, such as the start of a course toward convergence and the development of a joint perspective.

Is Greece acting as a member of the European Union?

The role of Greece as a factor of stability in the Balkans was not established just because Greece, as the only European Union and NATO member in the area, has an influence on these two international groups. Greece's initiatives toward stabilization are of an individual character. This is evidenced by its efforts to end civil war in parts of the former Yugoslavia. For a while, Greece was the only country to insist that only through a clear dialogue with all parties concerned was it possible to reach a political solution. We supported the peace plan now under way, which I hope will lead to a peaceful settlement. If attained, this will justify the position that Greece always held.

Did Greece take any action to back its position?

We did not confine ourselves only to the role of acting as a stabilizing factor. We promoted a peaceful solution with contacts we had with the Muslim and the Serbian sides in the Bosnian struggle, and also with the Croats. We sought bipartite and tripartite negotiations, and we are happy to see that the results of such efforts are now visible.

*Akis Tsochatzopoulos: toward the creation of a unified economic area.*

dream during the past 20 months. So now we see the Parliament of the former Yugoslav Republic of Macedonia ratifying almost unanimously the interim agreement between the two countries.

This has led to a change of the symbols on the flag and of the questionable parts of the constitution.

Are you going to propose to the European Union a joint Balkan policy?

As a party within the European framework – I speak as secretary general of PASOK – we are promoting a course of expansion that will include the Balkan countries. This, of course, will take a long time and will depend on the ability of each country to adapt the requirements of such a development. Greece wishes to take advantage of the existing European programs to contribute to the creation of a unified economic area in the Balkans, since now we all have the free market economy as our common economic system, and to support the efforts of our Balkan neighbors to overcome the difficulties that implementing the free market economy may cause.

How do you face the problem of Albania?

It is true that our relations with Albania have their ups and downs. In the past, we had a period of strong confrontation and lack of understanding, but in the last year, there have been signs of re-establishment of cooperation, peaceful coexistence and shared efforts to deal with existing problems.

Unfortunately, during the last weeks, there have been signs of delay in the implementation of the agreements, mainly on the operation of schools for the Greek minority in Albania and on the legalization of the movement of persons between the two countries. It is a fact, however, that Greece supports Albania in coping with the great problems it is facing during this transitional period from one regime to the next. Over 300,000 Albanians are legal or illegal residents working in Greece, and they send hundreds of millions of dollars each year to their country. For our part, we will not stop supporting the interests of the Greek minority in southern Albania. We see the existence of this minority as a bridge of friendship between our two peoples.

Interview by John Rigos

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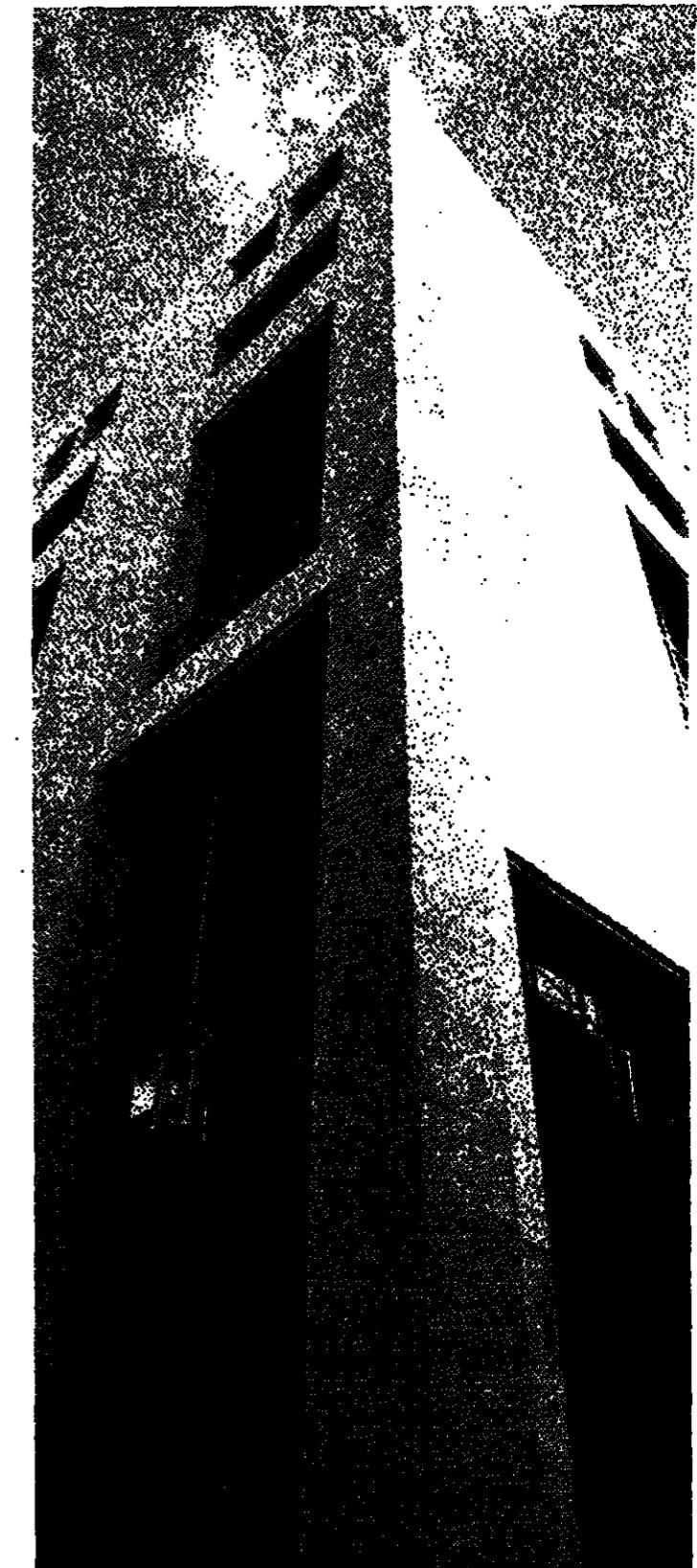
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The conference agenda for the second half of 1995 includes the following events:

■ **OIL & MONEY: POLITICS & PROFITS**
London, November 2-3

■ **GLOBAL FUND MANAGEMENT**
Singapore, December 4-5 & 6

For further information about any of the above conferences or for 1996 program details, please telephone or fax

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CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Oct. 27. Prices supplied by Telekurs.				Rank Name Cpn Maturity Price Yield				Rank Name Cpn Maturity Price Yield				
Rank Name Cpn Maturity Price Yield				Rank Name Cpn Maturity Price Yield				Rank Name Cpn Maturity Price Yield				
Austrian Schilling	216 Austria	7	02/14/00	104.1000	6.7200			142 France	6/4	10/25/93	94.0000	6.7700
Belgian Franc	179 Belgium	6/4	03/31/05	94.4200	6.7400			143 France	6/4	04/26/93	107.7000	7.4200
British Pound	103 Argyl Group	8/4	10/04/02	98.2500	8.2700			144 France BTAN	6/4	04/19/90	104.7500	7.7400
	140 Argyl Group Fin	7/2	02/23/95	103.7500	8.2700			145 France	7/4	11/23/92	106.5300	7.4600
	172 Alcatel Net	10/25/93	12/31/99	99.3125	0.0200			146 France	6/4	11/23/92	107.2600	7.4200
	204 KFW Inf Fin	7/4	12/29/00	99.0000	7.7000			147 France	6/4	04/26/93	105.6200	8.0200
	215 Nth Amer Capital	8/4	11/17/93	91.4220	0.0000			148 France	6/4	04/26/93	105.2200	7.7200
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	10 Denmark	8	03/15/05	99.8500	8.0100			151 France	6/4	04/26/93	100.5300	8.5200
	11 Denmark	9	11/15/00	107.4500	8.3400			152 France	6/4	04/26/93	101.5300	8.5200
	25 Denmark	9	11/15/98	105.5500	8.4000			153 France	6/4	12/23/97	108.0000	8.1700
	44 Denmark	zero	04/01/97	97.9831	4.7900			154 France	5/4	03/20/98	104.7500	8.1700
	72 Denmark	7	07/05/97	107.4500	7.7500			155 France	6/4	04/26/93	105.2200	7.7200
	81 Denmark	8	11/15/01	103.2400	8.7200			156 France	6/4	04/26/93	105.2200	7.7200
	115 Denmark	9	11/15/95	103.1800	8.7200			157 France	6/4	04/26/93	105.2200	7.7200
	126 Denmark	6	12/10/99	97.7000	6.1400			158 France	6/4	04/26/93	105.2200	7.7200
	136 Denmark	9	11/15/95	100.0500	9.0000			159 France	6/4	04/26/93	105.2200	7.7200
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	3 Germany	6/4	05/21/05	101.4500	5.6000			163 France	6/4	04/26/93	105.2200	7.7200
	4 Germany	6/4	05/21/05	101.1607	5.4000			164 France	6/4	04/26/93	105.2200	7.7200
	6 Treuhand	7/4	09/05/94	104.3000	5.7000			165 France	6/4	04/26/93	105.2200	7.7200
	7 Germany	6/4	05/21/05	101.5000	5.9000			166 France	6/4	04/26/93	105.2200	7.7200
	8 Germany	7/4	11/15/04	103.7500	7.3900			167 France	6/4	04/26/93	105.2200	7.7200
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	33 Germany	7/4	11/15/04	103.7500	7.3900			190 France	6/4	04/26/93	105.2200	7.7200
	34 Germany	7/4	11/15/04	103.7500	7.3900			191 France	6/4	04/26/93	105.2200	7.7200
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	37 Germany	7/4	05/21/05	101.5000	7.2100			194 France	6/4	04/26/93	105.2200	7.7200
	38 Germany	7/4	05/21/05	101.4017	6.1200			195 France	6/4	04/26/93	105.2200	7.7200
	39 Treuhand	6/4	06/1/93	105.0733	6.6700			196 France	6/4	04/26/93	105.2200	7.7200
	40 Treuhand	7/4	06/1/93	104.6000	5.2900			197 France	6/4	04/26/93	105.2200	7.7200
	41 Treuhand	7/4	06/1/93	104.6000	5.2900	</td						

The Week Ahead: World Economic Calendar, October 30 - November 3

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

	Asia-Pacific	Europe	Americas
Expected This Week	New Delhi India International Power Generation Exhibition and Congress, organized by International Trade & Exhibitions Pvt.	Earnings expected Banco Central Hispano.	Boston Fall Internet World Conference and Exhibition, sponsored by Meckler Media. Through Nov. 2.
Monday Oct. 30	Hong Kong Consul-General Yoshiji Nogami speaks on "Japan in Asia" at Foreign Correspondents Club. Manila Malaysia Airlines hosts two-day annual meeting of International Air Transport Association.	Brussels October consumer prices. London October M-0 money supply. M-0 rose 0.5 percent in September from August and 5.4 percent from the previous year.	Las Vegas Wireless Data Convention, sponsored by Cellular Telecommunication Industry Association at the Mirage Hotel.
Tuesday Oct. 31	Manila Jeffrey Sachs, professor of international trade at Harvard University speaks on economic reform in the former Soviet bloc at the Asian Development Bank. Tokyo September unemployment. Forecast: Expected to remain at 3.2%.	Brussels European Commission expected to approve bailout of SEAT, the Spanish unit of Volkswagen. Paris September unemployment. Forecast: Unchanged at 11.4%. Earnings expected KLM, Thames Water.	College Park, Maryland University of Maryland conference on growth and social equity in Colombia. For information: (1-401) 576-0022. Washington September personal income and spending. Forecast: Income up 0.5%, spending up 0.1%.
Wednesday Nov. 1	Tokyo Shoichiro Toyoda, president of Keidanren, holds press conference. Tokyo New-car sales for October. Earnings expected Nippon Yusen, Kawasaki Kisen, Showa Line.	London August merchandise trade. The July deficit was \$1.1 billion. Stockholm October new-car sales. Earnings expected Aga, Trelleborg, Whitbread.	New York Conference Board's consumer confidence survey for October. Forecast: Rise to 98.4. Ottawa August gross domestic product. Washington December new-home sales.
Thursday Nov. 2	Melbourne Pacific Dunlop annual meeting. Earnings expected Hongkong Telecom, Nissan Motor, Mitsubishi Oil, Mitsui Mining, Telecom Corp.	Copenhagen September unemployment. Earnings expected Akzo, Boots, Kwik Save, Royal Dutch/Shell, S-E Banken.	Tempe, Arizona National Association of Purchasing Management's October indexes.
Friday Nov. 3	Manila Guoco Land annual meeting. Sydney Ampolex annual meeting.	Brussels October unemployment, October budget deficit and October new-car registrations.	Washington September factory orders. Earnings expected Conoco, Rogers Communications.
Saturday	Earnings expected Creative Technology.	Nothing scheduled.	Washington October unemployment and nonfarm payrolls. Forecast: Unemployment 5.7 percent, payrolls up 104,000. Earnings expected Canadian Pacific.
Sunday Nov. 4-5	Nothing scheduled.	Nothing scheduled.	Nothing scheduled.

Bank of Japan Supplies a RemedyBy Carl Gewirtz
International Herald Tribune

PARIS — The threatened contagion of the Japanese banking system's fragility to international markets appears to have been contained by the Bank of Japan's willingness to accommodate the foreign currency needs of the country's banks.

The banking system's problems with bad domestic loans began to spread abroad when foreign banks — fed up with official inaction to deal with the problem and with the uncertainty of its size — started charging penalty rates to lend to the Japanese, the largest borrowers in the international interbank market.

Where credit is available, the "Japan premium" on interbank loans now ranges from just over a quarter percentage point to a full point over the quoted interbank offered rate, the usual dealing level. Banks typically borrow three-month money to finance longer-term commitments, aiming to profit from the usually wide difference between short- and long-term interest rates.

What is happening, these analysts say, is that the Bank of Japan is supplying unlimited liquidity in the domestic market

and is encouraging the banks to substitute domestic money-market liabilities for the offshore dollar borrowings that they are unwilling to take on.

The borrowed yen is sold for dollars and at the same time dollars are sold for yen in the forward market. This swap eliminates the foreign exchange risk for the banks. The swap counter-party is believed to be the Bank of Japan.

"Effectively," said Mr. Brown, the central bank's foreign reserves are being used as backing for the refinancing in yen; the central bank is virtually lending the dollars out of its own reserves.

He said there was "extraordinary tightness in the Japanese money market last week as banks scrambled to refinance in yen."

"The central bank subsequently has aggressively injected a huge amount of liquidity to

prevent domestic rates from rising," Mr. Brown said.

The central bank is alleviating the immediate strains on the Japanese banks. As a result, "the pressure is not so great as it might otherwise have been," Mr. Brown said.

But the banks cannot expand their international activities under present circumstances and remain under pressure to reduce their foreign exposure, he said.

For Ms. Sasaki-Smith, the Japan premium is a clear message to the Ministry of Finance that it must tackle the bad-loan problems of the Japanese banks. The market is looking for a convincing, concrete solution, even if the result takes five years or more to contain the damage, she said.

Unfortunately, she said "the momentum for a solution seems to have been lost in the clash between political populism opposed to a bail-out and reality."

BusinessWeek**This week's topics:**

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**SITE:
Navigating East**

Continued from Page 13

"I think it's very well organized, and the graphics are quite well designed, and the color coding of the modules makes it easy for an amateur or newcomer to navigate around it."

But while Mr. Varmum said the service lacked in-depth commentary and criticism, he did not know of a better, more comprehensive site covering this region.

The navigator also allows users to click onto an advertisement icon, opening a sponsored page. These pages feature pictures of hotels, restaurants, banks and other businesses that serve as interactive brochures offering electronic-mail addresses and other contact numbers to make reservations, hire a broker, or place an ad.

"Our ad rates can potentially be less than print," said Mr. Rothstein, EIN's director of sales and marketing. "Printing is pretty expensive, and you're pretty much limited to the ads you can run. This is an infinite service."

Mr. Rothstein said advertisers were warming up to projects like his because they realized that "users are not just people who use the Internet. They're all consumers. They all buy cars and go shopping and buy airplane tickets."

Major clients already onboard include Kentucky Fried Chicken's Czech division, Pup International Travel Consultants, and Hotel Intercontinental in Prague. EIN expects to work with a major international advertising firm to add additional ads and they hope to attract a major label to sponsor the arts and entertainment section.

Citing published reports of other internet advertising rates, EIN expects to receive between \$5,000 to \$10,000 per month for prime placements, he said.

Sanka Zarnanova, marketing manager for Kentucky Fried Chicken in Prague, said her company signed on out of curiosity. "We wanted to try it because it's a new media in the Czech Republic," she said.

Ms. Fraine said she thought other established companies would sign up because they would receive an image boost by advertising on the Internet. "It makes them seem that much more hip," she said.

Safe Networking
CompuServe Inc., the second-largest computer-based information network in the United States, plans to create an online service for novice computer users and people who want a "safe" on-line environment. The New York Times reported Sunday.

The proposed service, called Project Wow, is intended to appeal to "technophobes, refugees from other services and scared parents," as well as children and adults who want an easy-to-use system, said Scott Kauffman, vice president for consumer markets.

Internet address: CyberScope@ihh.lib.demon.co.uk

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- 28 FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
- 29 BAYERISCHE HANDELSBANK AG, MÜNCHEN
- 30 WESTHY., DORTMUND
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- 47 M.L.M. WABURG & CO HYPOTHEKENBANK AG, HAMBURG
- 48 WÜSTENROT HYPOTHEKENBANK AKTIENGESELLSCHAFT, LUDWIGSBURG

* At their respective annual general meetings on May 10/11, 1995, Frankfurter Hypothekenbank and Commerzbank merged into Commerzbank.

NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Oct. 27.

Offshore Gain Re-

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Continued on Page 2)

Private Banking

Offshore Centers Gain Respectability

By Martin Baker

THE universe of offshore private banking and offshore asset management is growing bigger by the day. And the offshore centers from which business is done are experiencing a special type of growth that comes with the gradual accretion of capital.

It is called respectability, and it is beginning to affect even the more remote private banking locations.

Europe affords as good an example as any.

"I regard Europe as two continents—offshore Europe and onshore Europe. Capital is flowing to offshore Europe at the rate of around 500 million Swiss francs (\$443 million) per annum," said Roland A. Jansen, director of fund management at Liechtensteinische Landesbank, the oldest bank in Liechtenstein.

"The flow increases in volume every time someone like Steffi Graf's father is arrested, every time government officers raid a brokerage and confiscate the diaries of the sales force," Mr. Jansen said.

He identifies Jersey and Guernsey in the Channel Islands, Switzerland and Liechtenstein as the prime private banking centers in Europe.

But, he adds, once-ignored locations like Gibraltar and Malta are now beginning to attract more money and to be taken seriously.

"Private banking is also about culture," he adds. "Gibraltar and Malta are much more for the English-speaker. The German-speaking world focuses on the French client."

Culture—notably the mother tongue of the natives—is a key factor in determining whether a bank would be private banking center will work.

Other important aspects that contribute to a successful private banking business are the right balance between vigilant regulation and the discretion that many private banking clients put at a premium, and proximity—both physical and temporal.

Some private bankers argue that clients may not be concerned at having their bank a considerable distance away—

what they won't put up with is their money being at the wrong end of their working day.

Lee Williams, an international tax partner at Ernst & Young in Paris, contends that physical proximity helps to account for the concentration of American clients in the Caribbean private banking centers.

He sees the Channel Islands and Luxembourg as increasingly dominant in European private banking, and maintains that some of the lesser-known centers, such as the island of Labuan in the Brunei Bay, and Mauritius in the Indian Ocean, have primarily localized attractions.

"Mauritius is doing a good job," Mr. Williams said. "It is developing its legal and physical infrastructure, but will be of specific interest to investors from and in South Africa and India."

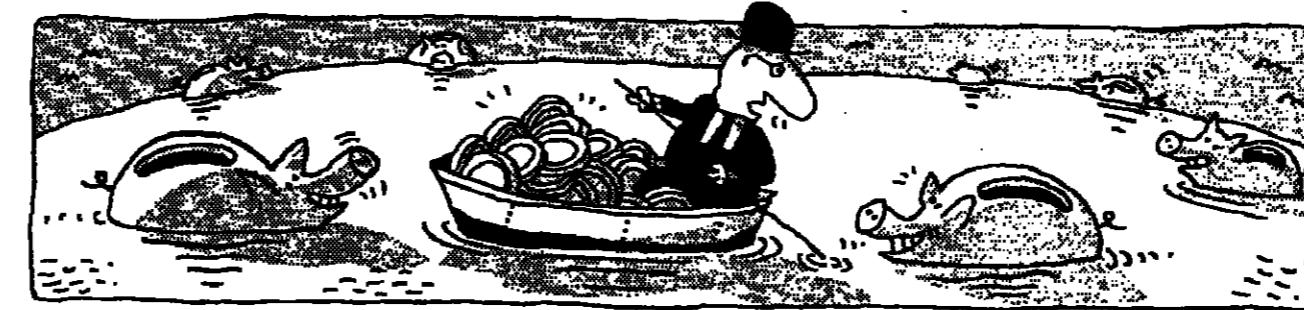
He regards Labuan in a similar light, with specific charms for investors in and from Indonesia.

DENIS Fontaine-Besset, a lawyer specializing in private banking at Arthur Andersen in Paris, says that being local is not good enough. In the conservative world of French private banking, clients typically want to be close to their money and be sure that it is in a first-class location.

"Places like Cyprus may have a more attractive banking environment than before, but I'm not aware of much French money being placed there," he says. Mr. Fontaine-Besset cites the Channel Islands and Luxembourg as the prime choices of the French client.

Peter Garland, London-based editor of Offshore Alert, a newsletter that examines commercial, regulatory and legal developments offshore, agrees that the Channel Islands are certainly the most prominent location in modern private banking. He cites the growth of Crédit Suisse in Guernsey as an example. The Swiss bank first opened a Guernsey office in 1986 with about 15 staff and now has some 200 people working there, according to Mr. Garland.

He said that Cyprus and Malta are among the more interesting "upwardly mobile" offshore banking locations, al-



Offshore Financial Centers	Assets	Capital	No. of existing offshore centers	Taxation of:	Resident expatriates' income	
					Total	Treaty income
Angola	\$100m	\$100m	1,400	Yes	0	0
Bahamas	\$500m	\$330m	12,600	Yes	0	0
Barbados	\$100m	\$25m	1445	Yes	0	0
Bermuda	\$13.7bn	N/A	8,008	Yes	0	0
Bolivia	\$100m	\$100m	155,000	Yes	0	3%-20%
Cayman	N/A	\$415m	31,000	Yes	0	0
China	N/A	\$160m	17,000 ⁽¹³⁾	Yes	0	0%-20%
Cook Islands	N/A	N/A	NO	Yes	0	37%
Croatia	\$100m	N/A	N/A	Yes	Max 45%	0
Gibraltar	Not Disclosed	\$2.5bn	50,000 ⁽¹³⁾	Yes	0	20%-50%
Guernsey	\$1.1bn	\$35.2m	13,000	Yes	0	20%
Isle of Man	\$4.75	\$13.49m	5,600 ⁽¹²⁾	Yes	0	15%-20%
Jersey	\$22.4bn	\$74.6m	29,259	Yes	0	20%
Labuan	\$400m	Not Disclosed	197	Yes	0	2-34%
Luxembourg	\$340m	\$517m	70,000	Yes	0	3.6-17.8%
Malta	0	Not Disclosed	10,668	No	0	0-51.25%
Maldives	0	\$600m	1,570	Yes	0	0-20%
Panama	N/A	\$28.5m	1,500	Yes	\$600	0-30%
Philippines	N/A	N/A	1,987	Yes	0	0-15%
Vanuatu	\$100m	N/A	277,000	Yes	0	4-33%
Yugoslavia	N/A	N/A	10,000	Yes	0	0
			1100	Yes	0	0

Source: Offshore Alert. Figures are estimates. (12) Data from 1993. (13) Data from 1994. (14) Data from 1995. (15) Data from 1996. (16) Data from 1997. (17) Data from 1998. (18) Data from 1999. (19) Data from 2000. (20) Data from 2001. (21) Data from 2002. (22) Data from 2003. (23) Data from 2004. (24) Data from 2005. (25) Data from 2006. (26) Data from 2007. (27) Data from 2008. (28) Data from 2009. (29) Data from 2010. (30) Data from 2011. (31) Data from 2012. (32) Data from 2013. (33) Data from 2014. (34) Data from 2015. (35) Data from 2016. (36) Data from 2017. (37) Data from 2018. (38) Data from 2019. (39) Data from 2020. (40) Data from 2021. (41) Data from 2022. (42) Data from 2023. (43) Data from 2024. (44) Data from 2025. (45) Data from 2026. (46) Data from 2027. (47) Data from 2028. (48) Data from 2029. (49) Data from 2030. (50) Data from 2031. (51) Data from 2032. (52) Data from 2033. (53) Data from 2034. (54) Data from 2035. (55) Data from 2036. (56) Data from 2037. 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U.S. Banks Pursue Rich Asian Clients

By Lisa Twaronite

LOS ANGELES — American private bankers are busy rolling out red carpets for a category of customers they long neglected: Asian-Americans and Asian expatriates.

The range of client services varies greatly depending on the size and type of an individual's account, but bankers often go to great lengths to cater to the needs of their best clients.

"We do all kinds of errands for them," said an international banker who handles private Asian accounts for a New York-based brokerage that operates as a bank overseas. "We're really at their beck and call."

Discretion is key to any banking relationship, she said, but especially when requests go beyond normal business matters.

"We've done things like making sure clients' mistresses get money and that their wives don't find out about it," she said. "Some of these clients have kids in boarding school or college over here, and we pick the kids up, take them to the supermarket, things like that. Sometimes we invite them over for a home-cooked meal."

Her operation has also performed spot-checks on a local hotel owned by one

Japanese client, to make sure it was being managed properly.

"Since most of these people are across the ocean," she said, "they need someone to take care of their property here, to check on their yacht at the marina, maybe air out their house here before they come for a visit."

Such service does not come cheap. The banker, who spoke on the condition she not be identified, said the minimum for the accounts she handles is \$100,000, but most are in the multimillion-dollar range. The clients are mostly from Japan, Hong Kong and Southeast Asia.

In addition to overseas Asians, Asian-American clients are also worth targeting, said Mindy Ying, vice president and manager of Asian market development in the trust/investment and private-client services division of First Interstate Bancorp.

"There's a tremendous opportunity in this market," said Ms. Ying, who is responsible for Asian business clients as well as individuals.

"Asians love to save money and they love to go to school," she said, noting that they have higher savings rates and achieve a higher level of education than the average American.

"A \$50,000 account may be relatively small, but it will generate a lot of good references," she said.

LISA TWARONITE is a freelance writer based in Los Angeles.

While many clients are talented businesspeople who know how to make a profit, they sometimes lack a more complex knowledge of financial matters.

"There are some Chinese who come here and buy a \$1 million or \$2 million house, and pay for it in cash," she said. She described one incident in which a client brought in an antique wooden box, out of which he pulled a sheaf of yellowed papers that turned out to be very old bonds.

"The family had been holding them from several generations before," she said. "They didn't know they could have been collecting on them every half year."

Many Asians who come to America initially open accounts at U.S. branches of Asian banks, Ms. Ying said, because they typically have Asian personnel and an understanding of the client's culture.

"Most of these banks do not offer trusts or investment management," she said.

While many of the accounts she handles are large, she said it was worth an institution's time to cultivate a client base with smaller accounts, because of the importance of word-of-mouth referrals in the often close-knit Asian communities.

"A \$50,000 account may be relatively small, but it will generate a lot of good references," she said.

Asian Fortunes and Fears Draw Bankers

By Kevin Murphy

HONG KONG — New fortunes and old political worries put Asia atop most serious private banks' list of key markets for expansion.

But, reflecting the wide range of institutions now in place and those coming, bankers divide on the best strategy for developing a market that represents at least 15 percent of offshore private-banking assets worldwide.

"It's extremely competitive in Asia these days," said the Hong Kong head of a European bank offering private-client services. "But with all those missiles flying around Taiwan this summer, I think many of us are taking a lot of new business."

A ratcheting up of the long-standing rivalry between China and Taiwan, which Beijing still regards as a renegade province, saw China test-firing missiles in the waters around Taiwan in July and August.

Ensuring chaos in the local stock market and a jolt to currency markets spurred the families who have helped create Taiwan's economic miracle to

think seriously of putting more of their wealth offshore.

"Investors are increasingly attuned to political risks," said Georges Vergnon, head of client relations in Asia, the Middle East and Europe for Chase Manhattan Private Bank. "They can quickly react to uncertainty — it only takes a few minutes these days."

Some of his clients told Mr. Vergnon that the turbulence in relations was, in the long run, a sign that China and Taiwan — and their economies — would be coming closer together.

Better economic relations promise expanded business opportunities on both sides of the Taiwan Strait, but for many Asian entrepreneurs, there is a big difference between the risks they will take in business and those they are willing to accept for their hard-won wealth.

"The No. 1 priority for these entrepreneurs is preserving their family assets," said Mr. Vergnon. "At the same time, though, they want to leverage what they have and create more wealth."

Hence lies one of the key strategic differences between institutions offering private-banking in Asia. Do you merely con-



Some Taiwanese investors are looking abroad.

centrate on the long-established "safekeeping" style of wealth protection? Or do you supplement that with a full-service offering of corporate finance products and opportunities?

"Traditional private banking is not enough in this part of the world," Mr. Vergnon said. "Unless you have a multiproduct, multiservice approach that can support further wealth creation, your chances of success are limited."

But some of the more old-fashioned banks disagree.

"We have only one activity," said Hans Spillmann, managing partner of Switzerland's Lombard Odier & Cie., a private bank and asset management house that recently began to expand in Asia. "We don't do real estate, we don't do venture capital, we don't get directly involved where you need special expertise."

Unless its clients ask for particular investments, which they can help arrange through specialists, Lombard Odier invests their funds in equities and bonds.

A long-term relationship and low-risk, liquid investments hold steady appeal for many rich families in places like Hong Kong, where enormous wealth has been generated in the past three decades but where the July 1997 handover to Beijing has stirred caution about the future.

"A few years ago a lot of people made arrangements here to park their money offshore," said another Swiss banker in Hong Kong, who asked not to be identified. "They are already adventurous enough in their day-to-day style of business."

"But many now realize they have made a lot more new money and it's time to think about sending more of it offshore," the banker said. "And you'd be

surprised how many people have only begun to think about it now."

While funds are flowing out of Hong Kong, dispatched by established local families ahead of the handover, the British colony remains a favored destination for money from other parts of Asia. Chase Manhattan estimates that Hong Kong accounts for 5 percent of offshore private-banking assets.

Although bankers report

many of their Philippine clients have been sending funds back home given the recent economic turnaround there, Thailand, Indonesia, Malaysia and China represent growing sources of business for private bankers.

Longstanding frictions between overseas Chinese communities and ethnic majorities in several Southeast Asian countries are a persistent factor in many families' offshore banking plans, bankers said.

But private banking in Asia is not just about finding an offshore hole-in-the-wall. With economic growth in the region outpacing that of the rest of the world, many wealthy Asians remain on the prowl for greater gains.

The high incidence of family-owned businesses throughout Asia coupled with growing interest in the region by financiers from afar allows global institutions to play matchmaker for private clients and institutions around the world.

Large companies like Chase are increasingly trying to offer the type of financial assistance reserved in the past for purely commercial and industrial clients. "You want to be the trusted financial advisor whether it is for family or business needs," Mr. Vergnon said.

KEVIN MURPHY writes from Hong Kong for the International Herald Tribune.

Banks Leery of Russia

Continued from Page 17

to accountants and solicitors. Ernst & Young, the accounting firm, has worked with Russian companies that have business interests in Western Europe. A spokesman for the company said that he would not be interested in dealing with wealthy Russian individuals because of the risks involved.

George McDonald, a partner in the London law firm Salans Hertzfeld Heilbronn, said he doubted if many Western law practices would handle this sort of business. He said that affluent Russians would probably have more luck with lawyers in offshore centers.

There is little doubt that the proceeds of narcotics sales and other criminal activities has filtered into the West from Russia. The Criminal Intelligence Unit in London is compiling a dossier on organized Russian crime in Britain. Until the study is complete, it is unwilling to comment on the full extent of the problem.

Swiss authorities, too, are concerned about the problem.

This week, the Justice Department in Bern expressed concern that money from criminal activities in Eastern Europe was being invested in Swiss businesses. The report did not criticize the Swiss banks directly, but it did hint that greater vigilance needs to be exercised by nonbank financial service providers.

Sylvia Matile, a spokeswoman for the Association of Swiss Banks in Basel, dismissed the report as "pure speculation."

"Swiss banks will not accept foreign money if the source is questionable. The banks must adhere to strict money laundering guidelines and act with due diligence when vetting foreign clients," Mrs. Matile said. But she added that "There is always room for improvement, however."

The Swiss Federal Banking

Commission, the banks supervisory body, found that money from Eastern Europe represented just 1 percent of all international funds on deposit in 25 leading Swiss banks, a still hefty 5 billion Swiss francs (\$4.4 billion).

ANALYSTS blame the instability of the Russian banking system for the capital flight.

"People genuinely fear for the security of their money," said Stuart Christie, the former editor of Arguments and Facts International, a Russian business magazine. "Many commercial banks operate quasi-illegally, ignoring the dictates of the central bank. No one knows for sure who is behind some of these organizations. The central bank is attempting to impose more checks in the system to bring banks into line. Some banks fear that their funds will be sequestered following the imposition of these new controls."

"Given these circumstances," he added, "many people are not prepared to wait for central bank approval. It is arguably less complicated to fill a suitcase full of dollars and catch the next flight out of Russia."

Cyprus is a popular destination for both Russian tourists and investors because of its proximity and the historical links between the two countries.

The banking laws in Cyprus are considered by many to be less stringent than the laws in other jurisdictions.

A spokesman for a leading international accountancy firm with offices in Cyprus said: "Few of our clients bank in Cyprus, however. They prefer the relative secrecy of Swiss banks."

BARBARA WALL is a journalist based in Paris who specializes in financial topics.

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PRIVATE BANKING / A SPECIAL REPORT

Service in the Era of Mergers

By Barbara Wall

THE spate of U.S. and European bank mergers this year shows little sign of abating, leaving many customers wondering what will become of service at their branch.

Lloyds Bank PLC in England and Trustee Savings Bank in Scotland announced their intention to consolidate earlier this month. In America, Wells Fargo & Co. has launched a hostile takeover bid for First Interstate Bancorp. of Los Angeles, and BankAmerica Corp. has been reported to be discussing a merger with NationsBank Corp. of North Carolina.

All of this follows on the heels of the huge merger of the New York banking giants Chase Manhattan Corp. and Chemical Corp.

Since mid-July, there have been 20 bank merger deals in the United States and about half that number in Europe.

But are customers getting shortchanged as banks consolidate, often trimming staff in the process?

Reports of branch closures and reductions in staff are particularly worrisome for those who prefer personal service to high-tech telephones and computer banking. Small-business customers, in particular, are apprehensive about the possible disruptions that a merger could bring. Then there is the fear that with fewer competitors in the market, service will suffer.

But a NatWest Securities Ltd. spokeswoman in New York said that many of these fears are unfounded.

"If any branches are to be closed," she said, "it will be those which overlap. There is still an unbelievable amount of competition in the U.S. Whereas before, banks would compete on a regional basis, they now attempt to solicit customers on a nationwide basis with such ploys as credit-

card mailings. The increased competition is compounded by nonbank competitors that offer financial services. The superbanks cannot afford to be complacent in these circumstances."

But others are not so sure. "In their drive for greater cost efficiency," said John Leonard, European banking analyst for Salomon Brothers Inc. in London, "the superbanks will, in all likelihood, start to cut back on those personal services that do not bring in revenue."

"We have already seen this happen with the major clearing banks," he added, "where only checking accounts are free and everything else carries a fee."

Banks are consolidating at breakneck speed to survive competition from credit-card companies and other financial institutions, analysts said. Many of them see a merger or an acquisition as the best means of cutting costs and delivering the expensive technology that customers have come to expect.

Such consolidation and movement toward high-tech banking does not necessarily mean service will suffer.

The August merger of two British building societies, the Leeds Permanent and Halifax, resulted in just one branch closure so far.

Celia Rowland, a senior spokeswoman for the bank, said customers now have more access to more branches and automated teller machines.

"Prior to the linkup," she said, "Leeds Permanent had around 120 ATMs. The figure has since shot up to 1,600. The Halifax originally had 600 branches. Customers now have access to over 1,000."

Halifax argues that it now can offer customers cheaper and more innovative products.

"The bank has cut its mortgage arrangement fees from £250 (\$390) to £100 and in-

troduced a new range of fixed-interest and discounted mortgage products," Ms. Rowland said. "Later this year we plan to launch a phone banking service for current-account holders."

For savings account customers, the merger will bring an additional bonus. The bank's decision to convert to a public limited company means that customers will be entitled to free shares in the new enterprise.

Mr. Leonard, though, said he worried that mergers would hit corporate customers, especially small businesses, the hardest.

Different banks have different credit standards," he said. "If the senior partner in a merger believes that the junior partner has too much risk exposure, it may decide to restructure its partner's lending strategy. Some corporate customers may then have to look elsewhere for their loans."

This happened recently following the combination of the Finnish banks Unitas Ltd. and Kansallis-Osake-Pankki.

"Unitas, the senior partner in the merger," Mr. Leonard said, "felt that KOP's lending strategy needed substantial revision. It decided to impose its own credit culture and standards on the new organization. Many of the original corporate customers of KOP were no longer welcome as a result."

In Europe, business lending is the preserve of a small number of large banks. If just a handful of these banks merge, the problem for smaller corporate customers, who are often prime private banking customers, could be acute.

Customers may be hard-pressed to find another institution that is willing to offer the level of financing needed.

In the United States, most business lending takes place in the capital markets, where the banks act as intermediaries for their corporate customers, so that problem is unlikely to arise.

Luxembourg Under Siege

By Conrad de Aenlle

LUXEMBOURG — It is no secret that Europe's largest offshore financial center covets its reputation for protecting client confidentiality. That reputation itself has been hard to protect, however, after some ugly events in the past year involving German banks: the release of account details by a blackmailer and raids on bankers' homes by German tax authorities.

Bankers in the Grand Duchy, wedged between Belgium, France and Germany, are putting a brave face on the highly publicized breaches of privacy. They insist that business has not diminished, that security at Luxembourg banks is sound and that the future of the country's special tax status within the European Union is assured.

Representatives of Commerzbank declined to discuss the case or the bank's record-keeping and security procedures, and officials at the monetary institute, Luxembourg's financial regulator, refused repeated requests for interview for this article.

There have been a number of highly publicized raids in which records were seized at the German homes of officials of Luxembourg banks.

From 1990 to 1994, the number of German banks in the duchy grew to 72 from 38, while the number of Belgian, Swiss and French banks, for instance, rose only slightly and the number of American banks fell.

Of all liabilities of Luxembourg banks in September 1994, a rough measure of deposits 45.6 percent were in Deutsche marks, according to figures compiled by the Luxembourg Monetary Institute. The next-largest currency was the dollar, at 19.5 percent, followed by the Swiss franc, at 6.8 percent.

DWS, the bank's fund-management arm, was the first firm to register in Switzerland under a law that liberalized rules for marketing funds last year and

thereafter, German tax inspectors took a special interest. After all, the thinking goes, a German bank in Luxembourg is about as safe as a German bank in Germany and pays roughly the same rate of return, so those Deutsche marks must be there to avoid tax.

An unlucky group of Commerzbank AG account holders fell victim to German tax authorities after a blackmailer stole a list of the bank's Luxembourg customers. The bank refused to meet the thief's demands, and the list ended up in the hands of German tax authorities.

A German tax investigator told the Frankfurt court that convicted the blackmailer earlier this month that as many as 2,000 customers were being investigated after authorities had studied the list of account holders.

As do most offshore bankers, those in Luxembourg say that while confidentiality is assured, the country's tax status is incidental to its broader financial-service business. About \$200 billion in mutual fund assets are managed from the duchy.

As do most offshore bankers, those in Luxembourg say that while confidentiality is assured, the country's tax status is incidental to its broader financial-service business. About \$200 billion in mutual fund assets are managed from the duchy.

Jacques Santer, the president of the European Commission, vetoed the 1989 accord for Luxembourg as its prime minister.



Some investors are worried about privacy.

While he might help his country keep its various privileges in his new role, it is also possible that his responsibilities in Brussels will lead him to push Luxembourg to conform to EU rules.

CONRAD DE AENLLE writes about finance and investment from London.

German Bank Looks Abroad for Growth

LUXEMBOURG —

You would not expect the owner of Italy's largest privately held fund-management company to be Deutsche Bank AG. But in the last several months, Germany's largest commercial bank has extended the reach of its fund operations into several European markets, including Italy, that present greater growth opportunities than are available to it back home.

Long before developing the new business, Deutsche Bank became active in Britain and the Anglo-Saxon offshore territories by buying Morgan Grenfell Ltd., a securities firm with a sizable presence in the fund-management industry. DWS was also one of the earliest and largest entrants into Luxembourg.

Its Swiss and Austrian operations are still small change: for instance, DWS has taken in

less than \$50 million in Switzerland. But the Italian venture is far wealthier. DWS agreed in June to buy the fund company Finanza & Futuro Fondi SpA in a deal worth about \$225 million. Along with its already-existing enterprise DB Fondi SpA, Deutsche Bank will have \$8 billion under management, or 9.6 percent of the Italian market.

Finanza & Futuro uses independent brokers to sell its products. DB Fondi sells its products mainly through Deutsche Bank's Milan subsidiary.

"Because the potential is very big and per-capita consumption is very small, we thought it

would be better to move by getting together with an established operation in the independent market," said Christian Strenger, managing director of DWS. "The clear idea is to keep these two companies operating independently of each other."

DWS is betting that as Italians lose faith in their teetering state pension system, their appetite for investment funds will grow. The average German has about 10,000 Deutsche marks (\$7,150) in funds, at least three times as much as the average Italian, a DWS official said.

— Conrad de Aenlle

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Salaries Reflect Industry's Growth

By Erik Ipsen

LONDON—Last year, the head of Bank Julius Baer in London sank his toe into the market for private bankers and got a nasty shock. Philip Amphlett had assumed that finding someone to head up the Swiss bank's private-banking arm in London would take as little as three months and be done at a reasonable expense.

Instead, the search dragged on for 10 months. That was disappointing. What was astounding was the price of talent.

"What amazed us was how expensive people were," Mr. Amphlett said. "At the extreme end of the range some of them were knocking on seven figures — in pounds."

After several years of explosive growth, years in which many of Britain's largest banks have raced into private banking like it was the industry's last Klondike, soaring demand for seasoned private bankers has collided full force with lagging supply. The result has been a massive leap in the price of talent that threatens some of the very assumptions about the low costs and high returns in private banking that made the business so irresistible to so many in the first place.

"Private bankers have become a much-sought-after species," said Henry Hopper, a senior consultant at Directorship Appointments, a headhunting firm specializing in private bankers. "There are more than 100 private banks in Britain, he said, up from a mere dozen a decade ago.

The success or failure of any private bank — an institution that succeeds or fails not so much on product as on service — hinges on the quality, and constancy, of its staff, consultants and private bankers say.

While private bankers' incomes are still modest compared with those of corporate finance officers and bond traders, the sudden demand for their talents has nonetheless caught many institutions off-guard. That is particularly true of the private-

banking arms of Britain's leading High Street banks.

"The problem many banks have is that it is difficult to open up their compensation structures," said Mike Giles, chairman of Merrill Lynch International Bank in London.

"They cannot afford to pay their best people what they should nor what the market would pay them," he said.

Many of the banks have attempted to sidestep the need to fork over higher pay for private bankers simply by not hiring any. Instead they have filled their upscale private-banking offices with renamed branch bankers.

A case in point is Midland Bank PLC's fledgling private-banking arm. In the last year it has opened no fewer than 30 offices across Britain, but it saw no need to look far for talent.

"We brought people across from our branches," said Brian Grigg, who heads the London division of Midland Private Banking.

What's more, Midland saw no need to adjust the bankers' salaries just because the adjective "private" had been added to their job description.

"Everyone within Midland Bank is paid on the same standard terms," Mr. Grigg said.

But such a salary structure poses big problems in a market where institutions compete increasingly for staff, consultants and many private bankers said.

"The most important thing in running my business is the continuity of my staff," said Ray Entwistle, the managing director of Adam & Co., the private-banking arm of Royal Bank of Scotland PLC. He said that the constant turnover in many large retail banks is an important reason why growing numbers of clients opt for a relationship with a private bank like Adam.

In the old days, that continuity was assumed, as few corners of the finance industry were more stable than private banking. Their salaries never drew close to those of brokers or fund managers, but

private bankers got what amounted to a lifetime contract with their institution.

The growing success of the private-banking offshoots of the big brokerage houses and some big American commercial banks has shredded those assumptions. Simply put, a good private banker in Britain no longer need assume that his superior performance will go unrewarded. In an industry that is growing at an estimated 15 percent a year, headhunters are prowling private banks as never before, armed with prospective pay packages unprecedented in the industry.

"We pay industry median salaries and offer discretionary bonuses on top of that," said George Alford, the head of Kleinwort Benson Private Banking.

Just how high might such bonuses go?

"I would say 60 or 70 percent, but in special cases we might go up to 100 percent" of base salary, Mr. Alford said.

Merrill Lynch sees no reason to stop there. It offers recruits a choice between two compensation systems. The first is the more traditional, which pays out a combination of salary and bonus. The second better reflects the brokering background of the bank's parent, Merrill Lynch & Co. It offers a salary plus what amounts to commissions plus payments for new business generated and the ability to maintain existing relationships.

By most accounts, what once was a relatively level playing field has now tilted heavily against traditional private-banking operations. Their counter is two-pronged.

To clients, they emphasize the dangers of turning over their assets to stock jockeys. To staff, they warn of the performance approach taken by many of the new, more aggressive operations.

"They are trying to defend themselves," Mr. Giles of Merrill said. "because they are losing bankers and they are losing clients."

ERIK IPSEN is the London correspondent for the International Herald Tribune.

Giants Rue Foray Into a Tough Business

By Aline Sullivan

THE private-banking dynasties of Geneva made it look so easy. But over the past decade, some of the world's biggest and most aggressive banks have come to rue entering the fiendishly hard business of private banking.

Ten years ago, soaring stock market and property values meant that there was plenty of new money around, money that could be deposited in the types of private-banking accounts that had formerly been the preserve of old money.

To woo clients, retail banks everywhere tried to beef up their private-banking operations by cutting minimum asset requirements and advertising widely. The rationale was straightforward: Clients with a lower net worth would pay a higher fee, say 0.75 percent on transactions, versus the 0.25 percent charged to clients with higher net worths, for a relatively more automated service. The more of this type of client, the better.

For some banks, the strategy worked. Others have their regrets.

"Any bank can issue a fancy checkbook and a special contact number and charge their clients an arm and a leg for this service," said Mark Hoge, banking analyst at CS First Boston in London. "But I am not convinced this strategy helped banks win much business. It is not real private banking, and it has tainted their image."

"Many of the banks that pushed their levels down upset their existing clients," said Philip Darwall-Smith, head of the London office of Royal

Bank of Canada. "No really high-net-worth clients like publicity about themselves or their institutions. The whole business is about being discreet."

Like many banks on both sides of the Atlantic, Royal Bank of Canada has "redefined" its private-banking entry thresholds.

Although several years ago it introduced eligibility standards for clients with less than \$1 million, it now focuses on clients with \$1 million to \$5 million in assets. Such clients account for about 85 percent of its international private banking.

Some banks continue to woo clients with lower net worths. Bank of Boston, for example, last year halved the minimum asset requirement for its private-banking service to \$500,000, and the resulting clients make up a fourth of its private-banking business.

Paul Diesel, director of administration for the private-banking division, emphasized that richer clients should not feel threatened.

"We are not for everybody," said Warwick Newbury, head of private banking at Coutts, a subsidiary of National Westminster Bank PLC in London. "Banking here is like flying first class

or staying at the Savoy. It does have an image."

He declined to stipulate minimum asset requirement, saying that the school-age children of existing clients were welcome to open accounts.

"But generally, if the income is less than £100,000 a year or total liquid assets are less than £150,000, it is unlikely that we can add value," Mr. Newbury said.

The established banks may have cornered the market in Europe, but today's battleground is in Southeast Asia, where new money is outstripping old. European and North American banks are pushing hard there but are not having much luck.

"The new private banking clients in Asia are far more concerned than people with old money about price and technology," Mr. Hoge said.

ALINE SULLIVAN is a journalist based in London who specializes in financial topics.

A High-Tech Personal Touch?

By Martin Baker

THE concept of the world as a global village, its vastness shrunk by ever-more powerful media, has been common currency since the early 1960s. Now, it seems, the electronic age is finally dawning in the tradition-steeped world of private banking.

The private-banking arms of the U.S. giants Chase Manhattan Corp. and Citibank have long laid emphasis on electronic communication with their clients. This summer the Royal Bank of Scotland International, a Jersey-based private bank, launched a telephone banking service aimed at providing 24-hour access for its clients around the world.

The traditional view of the relationship between client and banker revolves around proximity of time and geography. "Probably five hours is the maximum that a client wants to be from his money," said Lee Williams, international tax partner at the accounting firm of Ernst & Young in Jersey. The Bank of Scotland is specifically designed to cater to clients who are unperturbed by traversing many time zones.

But, skeptics ask, even if improved telecommunications can make the world smaller, can they preserve the intimacy that is supposed to lie at the heart of the client-banker relationship?

"Our aim is to be personal, quick and efficient," said Nigel Hair, business development

manager at Bank of Scotland. "It's part of our business development to have a computer system running 24 hours a day, but the human element is important. Whenever clients call, there is a human being at the other end of the line."

Part of the reason for this is technical, he said. It is impossible to have a touch-tone voicemail system for clients around the world because many countries do not have appropriate phone systems.

"Communication by computer and telephone is not anathema at all to traditional private banking," he said. "You can retain information through computer systems so that the essentials of the client relationship are never forgotten, and you have this wealth of information that's easily accessible. But clients very much appreciate regular meetings, and we expect that will always be the case."

Roland A. Jansen, director of Liechtensteinische Landesbank in Liechtenstein, also said that the personal touch in private banking remained indispensable.

"It is partly because of this that the margins in private banking are still very lucrative," he said. "We are all running after the same high-net-worth individuals. Technology can be both efficient and lucrative if it

is used to streamline a bank's operations, but machines can never take over completely. The banks that will do best will be those that strike the balance between their use of high technology and human power."

Mr. Jansen said private banks would merge or seek financial backing to pay for the move to 24-hour banking, but he emphasized that "by its nature private banking must be relationship-based. Clients want to know who they are dealing with."

Knowing exactly who they are dealing with lies at the heart of the problem that increased use of technology presents to private bankers.

"Security is undoubtedly a huge problem," said a banker from a large private bank in Geneva. "We make sure that the serving systems are totally separate from client electronic mail boxes when we send them information. And we have never allowed clients either to consult our own computer directly or to make transfers or leave instructions electronically. They have to deal with a member of our staff."

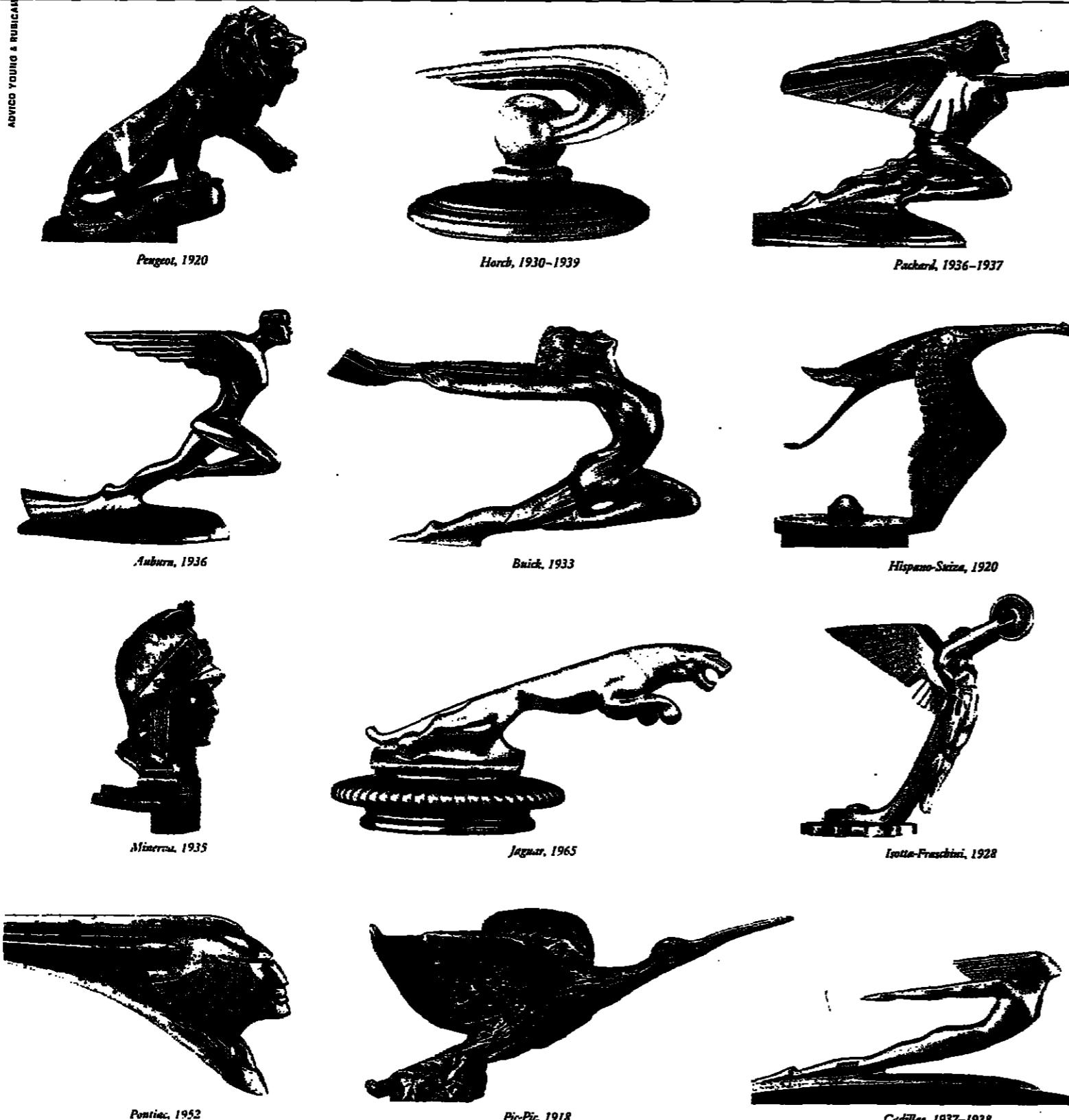
The idea of the larcenous computer hacker is also a nightmare for banking regulators.

"You can never be 100 percent secure," said Roger Bignell, the deputy director of the Jersey Financial Services Department. "What you have to do is try and compartmentalize the risk, so that if someone does get into the system and does damage, only a part of the thing collapses."

Goldman, Sachs & Co. Bank

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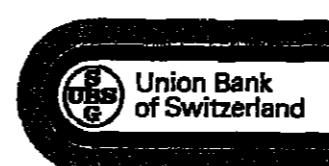


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Third Time's the Charm As Braves Take Series

Justice's Homer Provides 1-0 Victory And Glavine Holds Indians to One Hit

By Murray Chass
New York Times Service

ATLANTA — First in Boston, then in Milwaukee and now, finally, in Atlanta, the Braves have executed an unprecedented triple play of World Series championships.

Completing their 30th season in their third home, the Braves edged the Cleveland Indians, 1-0, on Saturday night, and won the 91st World Series four games to two, wiping out the lingering frustration from World Series losses in 1991 and 1992.

David Justice and Tom Glavine fueled the clinching victory. Justice, who the day before ignited a controversy by criticizing Braves' fans for what he said was their lack of support, hit a sixth-inning home run against Jim Poole. Glavine, who was the team's top pitcher before Greg Maddux was acquired three years ago, allowed only one hit in eight innings, a leadoff single in the sixth inning by Tony Pena.

The combination brought the city of Atlanta its first championship ever in a professional sport. And the Braves became Major League Baseball's first champions since the Toronto Blue Jays won the World Series in 1993.

That Justice produced the only run in the game created drama on two fronts. He had struggled throughout the three-tiered postseason, entering the game with a .214 batting average and no extra-base hits in 42 times at bat. His unfriendly words to the fans, which he delivered to reporters Thursday, produced a reaction from some of the 51,875 at Atlanta-Fulton County Stadium.

"Hope your bat is as big as your mouth," read one sign in the stands.

It was. After rapping a double in the fourth inning, Justice led off the sixth against Poole and drove the ball over the right-field fence. Glavine whipped through the tough Indians lineup, giving up only the hit to Pena and three walks. The Indians never had more than one base runner in an inning.

Mark Wohlers, the type of closer the Braves lacked in the 1992 and '93 Series, pitched the ninth and set down Kenny Lofton on a foul pop, pinching Paul Sorrento on a fly to center field and Carlos Baerga, who made the final out in each of the first two games, on another fly to center.

When Marquis Grissom caught Baerga's fly, the fans erupted. Justice had nothing to complain about then.

The Indians entered the game armed with an eyewitness account of the last time a team had a 3-2 World Series lead and the lost two games at home. Dennis Martinez, the Indians' starter on Saturday night, and Eddie Murray, their first baseman, played for the 1979 Baltimore Orioles, who were in that position and lost both games and the Series to the Pittsburgh Pirates.

Martinez, who lost to Glavine in the second game, tried valiantly, even though he has continued to be bothered by a stiff shoulder. He didn't allow any runs, but he struggled and didn't complete five innings.

The 40-year-old Nicaraguan gave up two singles in the first inning, and he walked two batters in the second inning. But Chipper Jones stroked the second single after Mark Lemke was out trying to steal second base, and shortstop Omar Vizquel made another outstanding play to start an inning-ending double play that nullified the two walks.

Vizquel fielded Rafael Belliard's ground ball behind second and didn't appear to have a play at second. But in one motion, when he was already past second, he flipped the ball with his glove to Baerga, who grabbed it with his bare hand and turned and fired to first for the double play.

In the fourth inning, the Braves loaded the bases after Justice cracked a two-out double, but Belliard went to bat for the 14th time in the Series and for the 14th time made an out, on a foul pop for the third out.

The next inning was Martinez's last. He set down the first two batters, but he walked Lemke, and Jones got an infield single. Poole, a left-hander, had warmed up practically every inning, and this time Manager Mike Hargrove called him into the game to pitch to the left-handed Fred McGriff. The game remained scoreless because Poole struck McGriff out.

Unlike Martinez, Glavine breezed through the Indians' lineup. In three of the first four innings, he faced only three batters. He walked Albert Belle, the leadoff batter in the second,

but Javier Lopez threw Belle out when he tried to steal second.

Belle also began the fifth with a walk, but Glavine retired the next three batters, making him the first pitcher since Charlie Leibrandt, in 1985 to start a World Series game with five hitless innings.

Glavine's hitless string ended at the start of the sixth when Pena looped a single to center. But Hargrove made another in a series of World Series moves that left him open to question.

Poole was the scheduled batter, and the obvious play was a sacrifice bunt. But when might Poole have last bunted in a game? Not unexpectedly, he failed in his mission, bunting three pitches foul.

Lofton, who was 0 for 11 since reaching base all six times he batted in Game 3, then forced Pena at second and stole second himself. But Vizquel hit a foul pop for the third out.

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